CORPORATION FILE

NEW ISSUE

Interest exempt, in the opinion of Bond Counsel, from Federal income taxes under existing statutes, regulations and court decisions

$23,000,000

——%

Chicago Transit Authority

Revenue Bonds Series of 1952

Dated July 1, 1952

Due July 1, 1982

The bonds shall be redeemable as a whole at any time, and in part from time to time on any interest payment date when selected by lot, on or after July 1, 1954, upon payment of the principal amount thereof plus accrued interest and a premium of five per cent (5%) of the principal amount thereof if called for redemption on or prior to July 1, 1963; four per cent (4%) thereafter and on or prior to July 1, 1968; three per cent (3%) thereafter and on or prior to July 1, 1973; two per cent (2%) thereafter and on or prior to July 1, 1978; and one per cent (1%) thereafter and prior to maturity. Said bonds shall also be redeemable from time to time in part, when selected by lot, on any interest payment date (a) on and after July 1, 1953, for the purpose of permitting the application of revenue or income theretofore deposited in the Revenue Bond Amortization Fund and (b) on and after July 1, 1960, for the purpose of permitting the application of revenue or income theretofore deposited in the Series of 1952 Sinking Fund, upon payment of the principal amount thereof, plus accrued interest and a premium of two and one-half per cent (2½%) of the principal amount thereof if called for redemption on or prior to July 1, 1963; two per cent (2%) thereafter and on or prior to July 1, 1968; one and one-half per cent (1½%) thereafter and on or prior to July 1, 1973; one per cent (1%) thereafter and on or prior to July 1, 1978; and one-half of one per cent (½%) thereafter and prior to maturity.

Principal and semi-annual interest, January 1 and July 1, payable at The First National Bank of Chicago and at the paying agent of the Authority in the City of New York and in the City of San Francisco, California. Coupon bonds in the denomination of $1,000, registerable as to principal only or as to both principal and interest.

The Bonds are to be issued under and secured by a Trust Agreement dated July 1, 1947 as supplemented by a Supplemental Trust Agreement dated July 1, 1952 between Chicago Transit Authority and The First National Bank of Chicago, as Trustee. In the opinion of Bond Counsel, the Bonds and the interest thereon are an obligation of Chicago Transit Authority, a public municipal corporation, and will be payable solely from revenue or income derived from the transportation system and under no circumstances shall be or become an obligation of the State of Illinois or of any other political subdivision or municipality within the State.

Fixed Sinking Fund payments, beginning January 1, 1960, sufficient to retire the bonds by maturity, are provided for the Series 1952 Bonds as shown in the table on page 17.

In addition retirement of the Series of 1952 Bonds may be accelerated through the operation of the Revenue Bond Amortization Fund described under the Summary of Provisions of the Trust Agreement on page 18.

PRICE	APPROXIMATE YIELD TO MATURITY
.... %	.... %

(accrued interest to be added)

These bonds are offered for delivery when, as and if issued and delivered to us and subject to approval of all legal proceedings by Messrs. Chapman and Cutler, Bond Counsel for the Authority, and Messrs. Wood, King & Dawson, Bond Counsel for the purchasers.

For further information relating to these bonds reference is made to the letter of the Authority made a part hereof.

This circular does not constitute an offering to sell Bonds in any State to any person to whom it is unlawful to make such offer in such State.

September 23, 1952.

Chicago Transit Authority

OFFICIAL STATEMENT

●

$23,000,000

●

Revenue Bonds
Series of 1952

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CHICAGO TRANSIT AUTHORITY

CHICAGO, ILLINOIS

September 23, 1952.

This Official Statement is furnished in connection with our offering of $23,000,000 principal amount of Chicago Transit Authority Revenue Bonds Series of 1952.

Interest exempt, in the opinion of Bond Counsel, from Federal income taxes under existing statutes, regulations and court decisions

$23,000,000

Chicago Transit Authority

Revenue Bonds Series of 1952

Dated July 1, 1952 Due July 1, 1982

The bonds shall be redeemable as a whole at any time, and in part from time to time on any interest payment date when selected by lot, on or after July 1, 1954, upon payment of the principal amount thereof plus accrued interest and a premium of five per cent (5%) of the principal amount thereof if called for redemption on or prior to July 1, 1963; four per cent (4%) thereafter and on or prior to July 1, 1968; three per cent (3%) thereafter and on or prior to July 1, 1973; two per cent (2%) thereafter and on or prior to July 1, 1978; and one per cent (1%) thereafter and prior to maturity. Said bonds shall also be redeemable from time to time in part, when selected by lot, on any interest payment date (a) on and after July 1, 1953, for the purpose of permitting the application of revenue or income theretofore deposited in the Revenue Bond Amortization Fund and (b) on and after July 1, 1960, for the purpose of permitting the application of revenue or income theretofore deposited in the Series of 1952 Sinking Fund, upon payment of the principal amount thereof, plus accrued interest and a premium of two and one-half per cent (2½%) of the principal amount thereof if called for redemption on or prior to July 1, 1963; two per cent (2%) thereafter and on or prior to July 1, 1968; one and one-half per cent (1½%) thereafter and on or prior to July 1, 1973; one per cent (1%) thereafter and on or prior to July 1, 1978; and one-half of one per cent (½%) thereafter and prior to maturity.

Principal and semi-annual interest, January 1 and July 1, payable at The First National Bank of Chicago and at the paying agent of the Authority in the City of New York and in the City of San Francisco, California. Coupon bonds in the denomination of $1,000, registerable as to principal only or as to both principal and interest.

The Bonds are to be issued under and secured by a Trust Agreement dated July 1, 1947 as supplemented by a Supplemental Trust Agreement dated July 1, 1952 between Chicago Transit Authority and The First National Bank of Chicago, as Trustee. In the opinion of Bond Counsel, the Bonds and the interest thereon are an obligation of Chicago Transit Authority, a public municipal corporation, and will be payable solely from revenue or income derived from the transportation system and under no circumstances shall be or become an obligation of the State of Illinois or of any other political subdivision or municipality within the State.

These Bonds rank equally with the $105,000,000 Series of 1947 Revenue Bonds. Both issues are payable from revenues of the transportation system after payment of operation and maintenance expenses. The Series of 1952 Bonds as well as the Series of 1947 are further secured by bond reserve funds.

Both issues have been enhanced by the addition of the Revenue Bond Amortization Fund, which to the extent earned will purchase bonds of these two series in the secondary market or retire them by call. $300,000 will be available quarterly contingent upon earnings for the purchase of both series of revenue bonds divided in proportion to the amount of each issue then outstanding. (See page 18.)

These Bonds are offered subject to approval of all legal proceedings by Messrs. Chapman and Cutler, Bond Counsel for the Authority, and Messrs. Wood, King & Dawson, Bond Counsel for the purchasers.

SERIES OF 1952 SINKING FUND

During the Year Preceding Jan. 1	Amount	During the Year Preceding Jan. 1	Amount
1961	$ 345,000	1973	$ 655,000
1962	355,000	1974	710,000
1963	375,000	1975	755,000
1964	400,000	1976	800,000
1965	420,000	1977	845,000
1966	440,000	1978	930,000
1967	460,000	1979	2,900,000
1968	495,000	1980	2,900,000
1969	535,000	1981	2,900,000
1970	565,000	1982	2,900,000
1971	595,000	1982 (6 mos. to 7/1)	1,350,000
1972	615,000		

Moneys in the Sinking Fund shall be applied as rapidly as practicable to the purchase of Bonds at the lowest prices reasonably obtainable, not exceeding their principal amount and any premium at which the same are next redeemable. If it is impracticable to attempt to purchase a sufficient amount of bonds to exhaust substantially all of the moneys in the Sinking Fund available for such purchases, the Authority on the next succeeding redemption date, occurring not less than sixty days thereafter, shall call for redemption in the manner provided sufficient bonds to exhaust substantially all of such available moneys.

BOND RESERVE FUND

There will be set aside in the "Series of 1952 Revenue Bond Reserve Fund" the sum of $23,000 each month until there has been accumulated in said fund an amount equal to 6% of the par value of "Series of 1952 Revenue Bonds" outstanding.

Whenever, on any interest payment date there are insufficient funds to pay the interest then due on any such Series of 1952 Bonds, the Trustee shall transfer from said Revenue Bond Reserve Fund the amount of such deficiency, and whenever funds are thus transferred the amount of such transfers shall thereafter be reinstated by the Trustee by setting aside the sum of $23,000 monthly out of the first moneys available until the aggregate amount in said fund equals the amount then required to be in such fund.

Amounts in excess of 6% of the par value of Series of 1952 Revenue Bonds outstanding shall be transferred by the Trustee to the Series of 1952 Sinking Fund.

PURPOSE OF ISSUE

Proceeds of the $23,000,000 Series of 1952 Revenue Bonds are to be applied as follows:

Purchase of certain assets and facilities of the Chicago Motor Coach Company as described below at a price of $16,500,000, subject to adjustments as provided in the purchase contract, to cover financing costs, and for modernization. (See section hereof headed "Progress Under Authority Management", page 10.)

SUMMARY OF CONTRACT FOR PURCHASE OF ASSETS OF CHICAGO MOTOR COACH COMPANY

The proposed contract for the purchase of assets of Chicago Motor Coach Company contemplates execution at the time the funds for the purchase become available through the sale of the Authority's Revenue Bonds. Simultaneously with the execution of the contract the properties purchased will be transferred to the Authority and the Authority will begin operation of the Motor Coach system the following day.

The assets to be acquired from Chicago Motor Coach are substantially all of the assets of that company, including office buildings, shops, garages, turn-arounds, all motor coach (595) and service vehicles, shop equipment, furniture and fixtures, materials and supplies, and others. Existing contracts, including labor contracts and pension plans, will be taken over by the Authority and all employes of Chicago Motor Coach, except certain executive personnel, will be offered employment by the Authority.

The purchase price is expected to be approximately $16,500,000 subject to adjustment for changes in book value since June 30, 1952, and to adjustments to reflect other changes in the properties since June 30, 1952.

There is now pending a lawsuit between the parties involving claims and counter-claims of several million dollars for certain revenues alleged to have been collected in connection with the issuance of inter-company transfers. The contract provides for the dismissal of this lawsuit without any recovery by either party.

REVENUE BONDS OUTSTANDING ON COMPLETION OF THIS FINANCING

Year of Maturity	Interest Rate	Amount	Total
SERIES OF 1947 MATURING JULY 1			
1953-1957	3¼%	$11,000,000	
1958-1961	3⅜	8,000,000	
1962-1965	3½	8,000,000	
1966-1972	3⅝	13,000,000	
1978	3¾	65,000,000	$105,000,000
SERIES OF 1952 MATURING JULY 1			
1982	......%	23,000,000	23,000,000
		Total	$128,000,000

STATEMENT OF APPLICATION OF REVENUES

Revenues applied in order of precedence required by Trust Agreement securing Revenue Bonds, Series of 1947.

	Year Ended December 31,				Twelve Months Ended August 31,
	1948	1949	1950	1951	1952
REVENUES	$115,645,824	$116,239,238	$115,812,984	$112,533,696	$113,733,714
OPERATION AND MAINTENANCE EXPENSES	103,033,793	105,495,146	102,055,510	99,995,224	98,568,624
Available for debt service	$ 12,612,031	$ 10,744,092	$ 13,757,474	$ 12,538,472	$ 15,165,090
DEBT SERVICE REQUIREMENTS:					
Revenue Bonds, Series of 1947:					
Interest	$ 3,816,250	$ 3,816,250	$ 3,816,250	$ 3,816,250	$ 3,816,250
Serial Bond Maturity	—	—	—	—	166,666
Revenue Bond Reserve	1,284,000	1,284,000	1,284,000	1,284,000	1,195,314
	$ 5,100,250	$ 5,100,250	$ 5,100,250	$ 5,100,250	$ 5,178,230
Balance available for depreciation	$ 7,511,781	$ 5,643,842	$ 8,657,224	$ 7,438,222	$ 9,986,860
OTHER REQUIREMENTS:					
Depreciation:					
Current period	$ 5,400,000	$ 6,500,000	$ 6,500,000	$ 7,500,000	$ 8,512,447
Portion of prior period requirement not earned in that period	810,015	—	856,158	—	—
Operating Expense Reserve	150,000	—	438,736	—	—
Municipal compensation	1,035,446	—	862,330	—	—
	$ 7,395,461	$ 6,500,000	$ 8,657,224	$ 7,500,000	$ 8,512,447
Balance available for Modernization Fund or (deficit) representing portion of depreciation requirement for which cash was not available	$ 116,320	$ (856,158)	$ —	$ (61,778)	$ 1,474,413 See Note

( ) Denotes red figure.

NOTE:

Deposits may be made in the Depreciation Reserve Fund only to the extent that moneys are available therefor. The requirements for these deposits, however, are cumulative. Monthly deposits to the Operating Expense Reserve Fund (not to exceed $50,000 from October 1947 to December 1948 and $75,000 since January 1949) may be made only from moneys remaining in any one month after all deposits have been made to the Depreciation Reserve Fund. Deposits to the Municipal Compensation Fund may be made only from moneys remaining in any one year after making all required deposits in the Depreciation Reserve Fund and Operating Expense Reserve Fund.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the aggregate fixed amounts which will be required each calendar year for payment of the principal of and the interest on $105,000,000 Series of 1947 Bonds and $23,000,000 Series of 1952 Bonds. (It does not reflect advance retirements through operation of the Amortization Fund.)

		Series of 1952				
Calendar Year	Series of 1947 Total Debt Service Requirements (1)	Reserve Fund	Sinking Fund (1)	Interest	Total Debt Service Requirements	Total Service Requirements Both Issues
1952	$4,316,250	$ 69,000		$ 258,750 (2)	$ 327,750	$4,644,000
1953	5,200,000	276,000		1,035,000	1,311,000	6,511,000
1954	5,854,500	276,000		1,035,000	1,311,000	7,165,500
1955	6,286,250	276,000		1,035,000	1,311,000	7,597,250
1956	6,501,750	276,000		1,035,000	1,311,000	7,812,750
1957	6,582,100	207,000		1,035,000	1,242,000	7,824,100
1958	6,610,171			1,035,000	1,035,000	7,645,171
1959	6,614,630			1,035,000	1,035,000	7,649,630
1960	6,618,566		$ 345,000	1,035,000	1,380,000	7,998,566
1961	6,622,369		355,000	1,019,880	1,374,880	7,997,248
1962	6,616,188		375,000	1,004,310	1,379,310	7,995,498
1963	6,608,203		400,000	987,840	1,387,840	7,996,043
1964	6,607,910		420,000	970,245	1,390,245	7,998,155
1965	6,606,806		440,000	951,705	1,391,705	7,998,511
1966	6,604,531		460,000	932,265	1,392,265	7,996,796
1967	6,588,977		495,000	911,970	1,406,970	7,995,947
1968	6,572,863		535,000	890,145	1,425,145	7,998,008
1969	6,567,855		565,000	866,475	1,431,475	7,999,330
1970	6,562,078		595,000	841,455	1,436,455	7,998,533
1971	6,565,856		615,000	815,040	1,430,040	7,995,896
1972	6,552,846		655,000	787,815	1,442,815	7,995,661
1973	6,527,309		710,000	758,745	1,468,745	7,996,054
1974	6,515,634		755,000	727,200	1,482,200	7,997,834
1975	6,503,586		800,000	693,540	1,493,540	7,997,126
1976	6,491,428		845,000	657,900	1,502,900	7,994,328
1977	6,448,000		930,000	620,280	1,550,280	7,998,280
1978	3,205,356		2,900,000	578,835	3,478,835	6,684,191
1979			2,900,000	449,325	3,349,325	3,349,325
1980			2,900,000	319,455	3,219,455	3,219,455
1981			2,900,000	189,585	3,089,585	3,089,585
1982 to July 1			1,350,000	29,880	1,379,880	1,379,880

(1) Includes redemption premium.

(2) Three months interest. Interest rate will be determined by competitive bidding; interest rate used in this table is 4½%.

COVERAGE

The balance for debt service before depreciation of the Chicago Transit Authority for 12 months ended July 31, 1952, plus the operating results of Chicago Motor Coach Company for the same period adjusted for operation by the Authority as computed by W. C. Gilman & Company, Consulting Engineers, amounted to $17,737,992 as shown on page 35, or 3.65 times the interest and 2.22 times the maximum fixed principal and interest payments in any year on the present outstanding bonds and those proposed to be issued assuming an interest rate of 4½% on the new bonds.

For the future, as shown on page 39, the Chicago Transit Authority believes the acquisition of the Chicago Motor Coach properties, with fares adjusted to its present scale, will add about $4,000,000 a year to its net operating revenue. In addition, it is believed there will be a saving of more than $1,000,000 a year as a result of the investment of the money to be provided by this $23,000,000 bond issue above the approximately $16,500,000 cost of the Motor Coach properties. Net operating revenue of the Chicago Transit Authority available for bond service for the year ended August 31, 1952, was more than $15,000,000. Adding the gains contemplated from this financing, there appears a prospect of net operating revenues available for bond service in the neighborhood of $20,000,000, which would be more than four times the interest on all the revenue bonds to be outstanding and 2½ times the maximum fixed principal and interest payments of any one year.

EQUIPMENT TRUST CERTIFICATES

During 1950, 1951 and 1952 the Authority issued an aggregate of $17,085,000 Equipment Trust Certificates to purchase 1,099 units of equipment valued at $23,054,869. As of September 1, 1952 there were outstanding $9,400,000 of these Certificates. These were refunded to accelerate retirement and to permit further equipment financing within the limitations of the 1947 Trust Agreement. $9,400,000 Refunding Equipment Trust Certificates are now outstanding as shown below. These Equipment Trust Certificates are payable from moneys in the Depreciation Reserve Fund and Modernization Fund and are secured by a lien on the equipment purchased. No moneys accrue to the Depreciation Fund until among other things debt service requirements and debt service reserve requirements on both the Series of 1947 and Series of 1952 Revenue Bonds have been met. The depreciated cost of the equipment purchased was $20,967,000 on September 1, 1952.

Year of Maturity	Interest Rate	Amount	Total
SERIES 1, 2 AND 3			
March 1, 1953	3½%	$2,350,000	
September 1, 1953	3½%	2,350,000	
March 1, 1954	3½%	2,350,000	
September 1, 1954	3½%	2,350,000	$9,400,000

The Authority intends to issue Equipment Trust Certificates from time to time on such basis that the maximum amount outstanding at any one time does not exceed $15,000,000 unless the obligation to pay principal and interest thereon shall not exceed $2,500,000 for any twelve month period.

THE AUTHORITY

The Authority was created pursuant to the Metropolitan Transit Authority Act of the General Assembly of the State of Illinois, approved April 12, 1945. Under the terms of the Enabling Act which was adopted by the City of Chicago by a vote of approximately six-to-one of the electors of the City in the special election of June 4, 1945, the Authority is a political subdivision, body politic, and municipal corporation embracing the major portion of Cook County for the purpose of acquiring, constructing, owning, operating, and maintaining a public transportation system in the metropolitan area of Cook County. The Authority has been granted by City Ordinance the exclusive right to acquire, construct, reconstruct, maintain and operate, unify and modernize facilities for local transportation within the City for the term of fifty years beginning in 1945, and thereafter until terminated, and to use designated streets, City-owned subways and public places for such purposes. The streets named include, with minor exceptions, all of the streets on which Chicago Motor Coach Company operates. Maps appended hereto show routes in service June 30, 1952. The Authority also has the right to operate over the streets and boulevards of Chicago Park District by reason of the "Chicago Park District Act" as amended in 1945.

Since acquisition by purchase on September 30, 1947, of the properties of the Chicago Surface Lines and underlying companies and the Chicago Rapid Transit Company, the Authority has operated these properties as a unified, mass transportation system. The Authority, pursuant to the Enabling Act, is authorized to borrow money for the purposes of acquiring, extending, and improving such properties by issuance of its obligations payable solely from the revenue or income derived from its transportation operations; and Chicago Transit Board is required, by the terms of the Enabling Act to fix rates, fares and charges for transportation, provided that in the aggregate they shall provide revenues sufficient for the payment of the interest on and principal of all bonds, certificates and other obligations payable from such revenues and to meet all other charges upon such revenues as provided by any trust agreement executed by the Authority in connection with the issuance of bonds or certificates and for operating expenses, adequate provision for depreciation and for compensation required to be paid to any municipality for the use of streets, subways and public ways. The Authority is specifically exempt from any and all regulation by the Illinois Commerce Commission or any other regulatory body with regard to service and rates of fare.

AUTHORITY MANAGEMENT

The governing and administrative body of the Authority is Chicago Transit Board consisting of seven members, three appointed by the Governor of Illinois by and with the advice and consent of the State Senate and four appointed by the Mayor of Chicago with the advice and consent of the City Council. Each appointment by the Governor is subject to the approval of the Mayor, and each appointment by the Mayor is subject to the approval of the Governor. The terms of Board members are for seven years, one expiring each September 1. The salaries of the Board members initially appointed were fixed by the Enabling Act, while the salaries of successor members of the Board are fixed by the Board and may not be increased or diminished during their respective terms of office. The chairman is elected by the Board for the term of his office or for the term of three years whichever is shorter. The chairman shall not be engaged in any other business or employment during his term as chairman and the Board fixes the salary of the chairman in addition to his salary as a member of the Board, which shall not be increased or diminished during his term of office as chairman. The present members of the Board, their terms, and business affiliations are as follows:

Name and Date Term Expires	Business Affiliation
Ralph Budd, Chairman September 1, 1952 (Reelected Chairman on August 20, 1952—see note below)	Engineer and transportation executive: Mr. Budd was President of the Chicago, Burlington & Quincy Railroad and its subsidiaries from January 1, 1932 until retirement August 31, 1949. Previous to that time he was President of the Great Northern Railway Company for thirteen years. It was during Mr. Budd's tenure as President of the Burlington that this railroad pioneered in the development and operation of the Pioneer Zephyr—the forerunner of all modern, diesel-powered, light streamlined trains.
William W. McKenna, Secretary September 1, 1953	Attorney: Formerly Executive Assistant to the Mayor of Chicago, Mr. McKenna also has been associated with the New York Central Railroad and Public Service Company of Northern Illinois. He served as Vice-Chairman of the Governmental Agencies Section, Community Fund, Red Cross and War Loan Drives, 1943-1950.
Guy A. Richardson, Vice Chairman September 1, 1954	Transportation executive: Formerly President and Chairman of the Board of Operation of the Chicago Surface Lines, Mr. Richardson has been active in street railway transportation activities since 1901. During World War II, Mr. Richardson was Director of Highway Transport, Office of Defense Transportation. He is a past President of the American Transit Association.
Philip W. Collins, Board Member September 1, 1955	Insurance: Mr. Collins has been engaged in the general insurance business in the City since 1922 and is a former member of the Illinois Commerce Commission. He also has been Chairman of the Illinois Tax Commission and the State Director of Revenue.
John S. Miller, Board Member September 1, 1956	Attorney: A practicing lawyer in the City since 1914, Mr. Miller is a former President of the Village Board and President of the Board of Local Improvements, Village of Winnetka, and a former Special Assistant United States Attorney. Mr. Miller is a former President of the Industrial National Bank of Chicago and presently is a Director of the Chicago National Bank.
James R. Quinn, Board Member September 1, 1957	Attorney: Mr. Quinn has been engaged in the general practice of law in the City since 1912 and was 50th Ward Alderman during the period 1931-1945, inclusive. He served as Chairman for many years of the Committee on Local Transportation of the City Council. Mr. Quinn is a former Assistant State's Attorney of Cook County, and a former Professor of Law of Loyola University.
John Holmes, Board Member September 1, 1958	Industrial Executive: Mr. Holmes is president of Swift & Company. He is a member of the Board of Trustees of Wesley Memorial hospital, a trustee of the Nutrition Foundation, Inc., a director of General Electric Corporation, a director of the American Meat Institute and a trustee of the Museum of Science and Industry.

The Board may appoint a general manager who shall have management of the properties and business of the Authority and the employees thereof, subject to the general control of the Board. Mr. Walter J. McCarter was appointed general manager on June 27, 1947 and has continued to serve in that capacity. Mr. McCarter, an engineer with long experience in the field of local transportation, was general manager of the municipally-owned transportation system of the City of Cleveland, Ohio, prior to his present appointment.

Note—Although Ralph Budd was appointed as Board Member for a term which expired on September 1, 1952, he will continue until a successor has been appointed and has qualified. Accordingly, on August 20, 1952, the Board elected Mr. Budd as Chairman, effective September 1, 1952, for a term of three years or until succeeded by a new Board Member.

UNIFICATION AND GENERAL INFORMATION

In its five years as an operating agency, Chicago Transit Authority has unified the two properties that it acquired on October 1, 1947. Chicago Transit Authority operating, accounting, supervisory and general offices have been consolidated, wasteful duplications of service have been eliminated, service has been unified, and substantial progress has been made toward modernization.

It serves the City of Chicago (1950 population 3,606,436) and a substantial part of Cook County (1950 population 4,492,629). After acquisition of Chicago Motor Coach Company it will operate all the routes shown on the map on pages 45 and 46 and will be the only major transit operator in the area. The Authority equipment consists of 5,200 units, of which 2,815 have been purchased since 1945. Chicago Motor Coach equipment consists of 595 buses with an average age of 5.7 years and 45 other vehicles. On July 31, 1952 the Authority employed 16,756 persons and the Chicago Motor Coach 1,300 persons. In 1951 the Authority operated 156,291,963 revenue vehicle miles and carried 736,841,963 revenue passengers. The Motor Coach Company operated 16,469,788 bus miles and carried 82,297,751 revenue passengers during the same period.

The proposed bond issue will enable Chicago Transit Authority to purchase the Chicago Motor Coach Company, thereby completing the unification of Chicago's major local transit facilities.

Unification has these important advantages:

Every neighborhood, every community will be linked by a single, modernized local transit system.

The universal surface transfer system actually becomes universal in operation.

Speedy completion of the remainder of the current equipment modernization program will be assured.

There will be equitable distribution of the cost of local transit among all local transit riders.

PROGRESS UNDER AUTHORITY MANAGEMENT

Since the start of the 10-year $150,000,000 modernization program in 1945, there has been invested approximately $70,000,000 in modernizing the transportation equipment, services and facilities of the Authority.

There has been purchased a total of 2,815 modern cars and buses—900 gasoline and diesel buses of the latest design, 600 streamlined, noise-proofed streetcars, 560 silent-operating trolley buses, 551 propane-fueled buses, and 204 all-metal rapid transit cars. These purchases of modern equipment exceed the amount bought by the two predecessor companies in the previous 38 years.

Two features of the Authority's equipment modernization program established records for the transit industry. The purchase of 349 trolley buses was the largest single order ever placed, and the purchase of 551 propane buses established the world's largest fleet of these odorless, economical vehicles. Public reaction to them has been most favorable.

Bids will be received for 100 additional motor buses on October 8, 1952. Plans and specifications are being prepared and bids will be advertised for at an early date for 300 additional modern, all metal elevated-subway cars. Equipment Trust Certificate financing has been arranged to cover the cost of these 400 vehicles. The 300 new elevated-subway cars will be used to operate over the rapid transit subway extension now being built by the City of Chicago in the median strip of the Congress Street superhighway. With the delivery of these cars, only 200 more units will be required to give the Authority a rapid transit system completely equipped with all metal cars. After the 100 modern buses are delivered only 150 more will be required to enable the Authority to retire the last of its old type streetcars.

Operating with 1024 miles of streetcar tracks in 1945 the lines of the Authority now operate but 357 revenue track miles. Miles of bus route in operation have increased from 218 to 1165. Approximately 75 per cent of the Authority's surface rides start on modern equipment. As a contribution to improved service and the free flow of street traffic, the Authority has increased the number of off-the-street terminals from 34 to 74. More are to be established.

With the 204 modern, streamlined rapid transit cars, the Authority has completely equipped the new Logan Square-Milwaukee Avenue Subway, and is operating part of the Ravenswood, Douglas Park and Evanston rapid transit service with new equipment. Unification of the Authority's properties, elimination of wasteful duplication and competition between the surface and rapid transit systems, the closing of lightly used stations, and the inauguration of "A" and "B" express stop service on the major routes of the rapid transit system also materially improved service and cut operating costs. Substantial time savings have been accomplished through these procedures. On the Lake Street routes, where this system of rapid transit operation was first established, running time between the loop and the west terminal was reduced by 10 minutes. On the North-South main line, travel time was reduced by approximately 5 minutes. On the Logan Square-Milwaukee Avenue route, running time between terminals was reduced approximately 50 per cent.

At the time the Authority acquired the operating properties the State Street Subway was being operated by Chicago Rapid Transit Company. The Authority has continued to use this facility. With the completion of the Milwaukee Avenue Subway the Authority began operation of that line, on February 25, 1951, with the Logan Square Elevated station as the outer terminal. This operation has proven very successful in stimulating traffic for the rapid transit from that area considerably in excess of that carried by the former elevated service. These two City-owned subways represent an actual investment of $66,000,000, exclusive of track and other transportation equipment for which equipment the City is being reimbursed by the Authority over the life of that particular property. The Authority pays no rental for the use of these subways other than compensation to the City for the operations of the Authority as a whole. The structure of the Milwaukee Avenue subway in the downtown area is complete to a point shortly west of the river in Congress Street, while trains are actually operated from a point several hundred feet east of the river. To obtain the maximum use of this subway it will be extended to a portal in the vicinity of Halsted Street. This is closely related to the construction of the Congress Street Superhighway.

Further improvements in rapid transit service are in progress. A combination rapid transit-bus terminal, the first with a joint loading platform on the Authority's system, has just been completed at the west terminus of the Douglas Park rapid transit route at 54th Avenue in Cicero. Here a parking lot with an initial capacity of 110 automobiles has been established for CTA customers, the first such facility to be provided by the Authority.

It is the intention of the Authority to establish additional transfer interchanges between the surface and rapid transit systems and, where possible at off-the-street locations.

Approximately $10,000,000 has been invested by the Authority in modernizing its plant facilities. Two modern bus garages, Beverly, at 103rd and Vincennes, and North Park, at Kedzie and Foster, have been constructed. New tools and new methods have been installed at the three principal shops, South Shops, at 77th and Vincennes, West Shops, at 3901 West End Avenue, and the Rapid Transit Shops in the Village of Skokie.

Funds from the sale of the bonds, that will be available after payment has been made for the Motor Coach properties and financing expenses will be used by the Authority toward a number of modernization projects of which the following are illustrative:

One hundred el-subway cars.
A large new garage and bus servicing facility.
Bus housing at two existing garages.
Conversion of two car barns for bus servicing.
Additional snow fighting equipment.
Additional mechanical car and bus washers for both surface and rapid transit equipment.

Most of these items are needed for efficient handling of the equipment in the bus conversion program and these facilities will effect substantial operating savings. Investment in modernization of additional plant items will also give a substantial return. The Authority plans to use other funds such as the unallocated balance of the anticipated $10,000,000 annual depreciation payment and any Modernization Fund moneys that may become available for such purposes as the following, but not limited thereto:

Automatic gates at certain rapid transit surface crossings.
Labor-saving rapid transit terminal train controls.
Token controlled turnstiles and transfer issuing machines for rapid transit stations.
Several electrical substation changes to reduce operating costs.
An additional modern paint shop for surface system vehicles.
Completion of the automatic block signal system with automatic trips on the rapid transit lines.

Two complete sets of departments, carried over from the predecessor companies, have been consolidated, operations have been unified and extensive economies have been achieved along with improvements in operations. Further economies are to be obtained by locating all general offices on a part of a single floor in the Merchandise Mart Building. This move will result in an annual savings of $140,000 in cost of office space and other operating savings not measurable at the present time, this move is now being carried out. These offices had occupied separate quarters in various sections of the city.

As provided by the Metropolitan Transit Authority Act, a merit system for Authority employes has been installed, jobs have been classified, the duties in each job defined, and the salary range in each classification established. Candidates for vacant positions must meet the specified qualifications and, insofar as possible, vacancies are filled by upgrading. As a result of consolidation of offices and activities, changes in operating procedures, and the use of modern equipment, the number of Authority employes has been reduced from 22,050 at October 1, 1947 to 16,756 as of July 31, 1952.

FARE BOXES

The Authority has provided for protection and better accounting of its revenues through the use of fare boxes on the surface system. 1000 electrically operated registering fare boxes of the hopper type with features especially adapted to CTA operation were placed in service in 1949. This year the Authority has purchased 2000 used slot-type fare boxes. The completion of this program will enable practically all of the scheduled streetcars and buses to be equipped with fare collecting devices.

ONE-MAN OPERATION

Economy of operation by the Authority through the use of modern equipment has materially reduced man-power requirements.

	Scheduled Streetcars and Buses Per Cent with 2-man Operation		
	Weekday	Saturday	Sunday
December 1947	70	70	71
December 1951	35	27	25
July 1952	25	15	15

The greater proportionate use of one-man vehicles on Saturdays and Sundays is due to the policy of the management to secure the maximum use of buses by shifting them to streetcar lines during periods in which they can be spared from their regular routes.

In the period from December, 1947 to December, 1951 the scheduled weekly vehicle miles on the surface system have decreased from 2,550,000 to 2,150,000 or 15.7 per cent. The scheduled weekly man hours have decreased from 490,000 to 330,000 or 32.7 per cent. Without such reduction the annual payrolls account of this operation would be about $15,000,000 higher at this time.

An element that has made the manpower problem more complex is the fact since December, 1947 the Authority has had to change from a six day week to a five day week. Normally this would require an increase in the number of employes. However the net reduction in man hours on the surface operating group was sufficient to allow a decrease of 3510 employes on a five day week basis. These accomplishments were due principally through the change to bus operation on many streetcar lines and scheduling to secure the maximum use of buses and one-man streetcars.

The change in scheduling the operating group of the rapid transit system including trainmen, agents, yardmen and other employes directly connected with train operation has likewise been substantial. The change from the six day week to a five day week was likewise absorbed in the period from December, 1947 to December, 1951. The scheduled weekly car miles decreased from 915,000 to 815,000 or 10.9 per cent, while the weekly hours scheduled for trainmen, agents and other operating employes decreased from 150,000 to 105,000 or 30.0 per cent. This is equivalent to a reduction of 1128 employes on a five day week basis. Without such reduction annual payrolls would be about $4,200,000 higher at this time.

These economies have been brought about through the establishment of modern express schedules on all elevated main lines and by trimming of unproductive branch line service, the elimination of little used stations, the application of multiple unit door controls on the better units of rolling stock and the intensive use of 204 modern design new rapid transit cars.

WAGES AND PENSIONS

Wages paid trainmen, bus operators and most other employes of the Authority are governed by contract between the Authority and several labor unions. Increases in the basic wage scale granted by the Authority have been as follows:

Effective Date of Increase	Increase per Hour
June 1, 1948	11 cents
December 1, 1948	2 cents
June 1, 1949	5 cents
December 1, 1949	5 cents
June 1, 1950	5 cents
August 1, 1951	7 cents
January 1, 1952	3 cents
June 1, 1952	4 cents

A cost of living allowance was agreed to, providing for adjustment in each quarter of the year using the May 15, 1951, Consumers' Price index for Moderate Income Families for Chicago as the base index in each case. This has resulted in the following allowances:

For Period Beginning	Total Cost of Living Allowance
October 1951	1 cent
January 1952	4 cents
April 1952	2 cents
July 1952	5 cents

At the present time the top rate for bus operators is a $1.84 basic wage per hour with a 5-cent cost of living allowance or a total of $1.89 per hour.

Wage rates of the Chicago Motor Coach Company have been about the same as the Authority, although increases in the basic rate have lagged behind those made on the Authority by a period of about sixty days. At the present time the overall rate for bus operators of Motor Coach is $1.89 per hour.

The wage rates currently in effect are among the highest now in effect on transit systems in metropolitan centers.

The pension plan in effect on the Authority's system was established in 1949. It provides for a normal retirement date at age 65. Provisions are made for earlier retirement under certain circumstances. The plan is of the contributory type. The contributions made and to be made under the plan effective June 1, 1949, and amended as of June 1, 1952, are as follows:

	Contribution—Per Cent of Compensation	
Period	Employes	Authority
June 1, 1949 to May 31, 1950	2 per cent	3 per cent
June 1, 1950 to May 31, 1951	2 per cent	4 per cent
June 1, 1951 to December 31, 1952	2½ per cent	5 per cent
January 1, 1953 to December 31, 1953	3 per cent	6 per cent
January 1, 1954 to December 31, 1955	3½ per cent	7 per cent

Either party may propose amendments by giving notice in writing to the other party. The Authority's contribution to the plan for the year ended July 31, 1952 was $3,568,584.

The Authority's agreement with regard to employes' pensions compares favorably with those in force for other public transportation systems.

A similar plan is in effect on Chicago Motor Coach Company. The average age of these employes is somewhat lower than on the Authority's system. The current contribution is ½ per cent of compensation by employes and 1 per cent by the Company. The employes of the Company will be incorporated into the plan for the present employes of the Authority.

RATES OF FARE AND TRAFFIC TRENDS

In the Trust Agreement dated July 1, 1947 covering the Series of 1947 Bonds, the Authority has covenanted to fix rates and charges for transportation so that the income and revenue derived therefrom shall, at all times, be sufficient in the aggregate to provide for the payment of all expenses and charges payable from such income and revenue, including, without limiting the generality of the foregoing, all operating costs and expenses, including the payment of all costs, expense, charges of every kind necessary in the maintenance and operation by the Authority of an efficient transportation system, the costs and expenses of establishing a Damage Reserve Fund and a Pension and Retirement System, the prompt payment of the principal and interest of all revenue bonds and other obligations of the Authority, as well as all Sinking Fund and Reserve Fund payments required to be made with respect thereto, the creation and maintenance of an adequate Depreciation Reserve Fund, and the payments required to be made to the Municipal Compensation Account.

Pursuant to such covenant and as a result of rising wage costs, and a decline in volume of traffic comparable to the nationwide experience, the Authority has from time to time revised the rates of fare. The basic fares for adult rides in the City were:

Effective Date	Fare On Surface Routes	Fare On Rapid Transit
October 1, 1947	10¢	12¢
May 11, 1948	11¢	13¢
June 20, 1948	13¢	15¢
October 15, 1949	15¢	17¢
August 1, 1951	17¢	18¢
June 1, 1952, cash fare	20¢	20¢
June 1, 1952, token fare	17¢	18¢

A more complete schedule of all classes of fare, effective as of June 1, 1952 follows:

Fares Applicable to:	Rate
SURFACE ROUTES	
Adult—General	20¢ or 5 for 85¢
Adult—Express	20¢ or 5 for 90¢
Children and School	10¢ or 5 for 40¢
RAPID TRANSIT	
ADULT	
Middle Zone (a)	20¢ or 5 for 90¢
North or West Zone (b)	20¢ or 5 for 85¢
Two Zone Through	25¢
CHILDREN AND SCHOOL	
Middle Zone (a)	10¢ or 5 for 40¢
North or West Zone (b)	10¢ or 5 for 40¢

(a) Middle Zone includes all rapid transit service in the City of Chicago and between Chicago and Oak Park, Forest Park, Cicero and Berwyn.

(b) North Zone includes rapid transit service from Howard Street north and between Evanston, Wilmette and Skokie, including Skokie bus.

West Zone includes rapid transit service from Desplaines Avenue west, and between Maywood, Bellwood and Westchester, including substitute bus service.

Transfers for adult passengers are made from Surface Routes to Rapid Transit or express bus routes on payment of 20¢ fare or one 5 for 85¢ token plus 1 cent. There is no charge for children's or school transfers. Transfers from Rapid Transit or express bus routes to regular Surface Routes are made without additional charge.

For Motor Coach transfers to lines of the Authority 5¢ additional is charged by the Authority. Transfers issued by the Authority are accepted by Motor Coach without payment of any additional fare. There is no transfer interchange with Motor Coach for children or school fares.

During the above period the Motor Coach basic adult fares were 10 cents prior to September 18, 1948 at which time a 13 cent fare became effective. The present 15 cent fare became effective November 8, 1951.

The various classes of fare now in effect on Motor Coach are summarized in the following:

Types of Fare	Rate
Adult	15¢
Children and Students	5¢
Parking Lot Shuttle Service	7¢
Railroad Commuter Service	10¢

The basis of transfers with the Authority has been previously given.

It is the intention of the Board, in order to provide equitable rates throughout the City, to increase certain classes of fares on the Motor Coach lines to the level of those in effect on the lines of the Authority.

Adult fares would be increased to 20¢ or 5 for 85¢. Children and Student fares would be increased to 10¢ or 5 for 40¢. No change is contemplated in the fares for Railroad Commuter Service but parking lot shuttle fares would be increased to 10 cents.

The increases in fares on the routes of the Authority were, in general, the direct reflection of gradually increasing wage rates, discussed in another section of this Official Statement. Rising material and service costs have added to the necessity for higher rates.

In common with the experience of other local transit properties throughout the United States the volume of passengers carried by the lines of the Authority has been decreasing since 1946. The annual traffic totals for the four full years of operation by the Authority were as follows:

Year Ended December 31	Revenue Rides on Chicago Transit Authority System
1948	1,004,265,047
1949	886,421,585
1950	790,230,981
1951	736,841,963

For the six months ended June 30, 1952 the revenue passengers carried were 347,808,363 or 9.24 per cent less than the 383,231,546 carried on the lines of the Authority during the corresponding period of 1951. The riding decline in Chicago and elsewhere has been due to a number of reasons, among them are:

1. The tapering-off of industrial and business activities from the abnormally high peaks of the war period;
2. Intensified use of private automobiles;
3. The recent widespread observance of a five-day work week;
4. The elimination in many industrial plants and other organizations of multi-shift employment;
5. The increase in the rates of fare.

Contrary to the trend locally and nationally, riding on the rapid transit system has increased. Passenger volume for the rapid transit system as a whole was greater in 1951 than in 1950 (having increased from 148,633,732 in 1950 to 152,700,800 in 1951) and for the twelve months ended July 31, 1952 was 153,785,224. The sharpest increase has occurred to the Logan Square-Milwaukee Avenue Subway route, which the Authority placed in operation on February 25, 1951.

The traffic experience of Motor Coach for the same periods as shown above for the Authority was:

Year Ended December 31	Rides Originating on Motor Coach System
1948	89,210,955
1949	82,841,920
1950	80,911,483
1951	82,297,751

For the six months ended June 30, 1952 the revenue passengers carried were 42,073,063 or 3.84 per cent more than the 40,515,239 carried on the lines of Motor Coach during the corresponding period of 1951. The recent traffic increases are understood to be to a considerable extent the result of expanded operations on South Parkway. The overall traffic on this system has held up appreciably better than on the routes of the Authority because of the lower fare on Motor Coach and the more stable employment of their riders.

A combination of the two systems may be expected to bring about more stabilized riding. It is the belief that transit riding has pretty well declined to a necessity level. The routes operated by Motor Coach are for the most part comparable to the heavy trunk lines operated by the Authority, and these heavy lines constitute the more profitable operation of the two systems.

THE CONGRESS STREET DEVELOPMENT

The West Route superhighway, or the Congress Street Superhighway, under construction for over a year deserves mention because of its relationship to the City-owned subway system, operated by Chicago Transit Authority.

The Authority has elevated structures in the right-of-way of the Congress Street Superhighway, which structures are used principally by the Garfield Park and Douglas Park trains of the Authority and the trains of Chicago Aurora & Elgin Railway. Chicago Transit Authority has given up its rapid transit right-of-way in the superhighway area. In exchange for this, the City of Chicago and other governmental bodies have agreed to provide a right of way in the superhighway for a new rapid transit route in an open cut extending westward from the central business district approximately seven miles. The City will provide track and other transportation equipment, except cars, for this rapid transit operation and the subway connection. The cost of $12,500,000 will be repaid by the Authority in equal monthly payments over the 32-year estimated service life of the properties. Assuming these estimates correct the reimbursement to the City will approximate $32,600 a month.

During construction temporary track is being installed by the City to permit the Garfield Park rapid transit service to be maintained. The City is also providing connections for maintaining the Douglas Park train operation during construction.

The prospect of early construction of the subway connection and installation of transportation equipment therein and in the median strip became assured when the voters of the City of Chicago, at the June 2, 1952 election, approved the issuing of $25,000,000 in general obligation bonds for this purpose. This median strip and subway will provide the Authority with completely new facilities for a substantial part of its west side operations. All other costs of the Congress Street Superhighway are being paid by the State of Illinois, the County of Cook, and the City of Chicago out of motor vehicle funds.

The Authority now operates over the right-of-way of the Chicago Aurora & Elgin Railway west of Laramie Avenue. This will be somewhat disturbed by the superhighway construction. The Authority and state, city and Federal highway departments are planning to provide a new right-of-way principally within the superhighway area.

CHICAGO MOTOR COACH COMPANY

The Chicago Motor Coach Company, an Illinois corporation, is wholly owned, through ownership of its 50,000 shares of common stock and 25,000 shares of preferred stock, by The Omnibus Corporation, a Delaware corporation whose books and records are kept at Chicago, Illinois. A statement of its recent earnings and estimate of revenues which Chicago Transit Authority expects to derive from this acquisition appears on page 39.

Chicago Motor Coach Company owns 595 modern motor buses having an average age of 5.7 years and operates over 172.6 one-way miles of boulevard and streets in the city of Chicago. Over 70 per cent of this mileage is under jurisdiction of Chicago Park District, so the system is, to a large extent, a boulevard operation with most routes terminating in the downtown area. Nearly 100,000,000 passengers are carried annually, including the transfer rides with Chicago Transit Authority.

The Motor Coach System began operation on March 24, 1917. In 1922 the name was changed to Chicago Motor Coach Company and the operations were expanded.

By 1925 the pattern of the Motor Coach System, as operated today, was pretty well established. There has been some gradual expansion and modification of routes, with special stress on service in and to the downtown area. There has also been substantial improvement in operating methods and equipment used. See Maps, pages 45 and 46 for routes of the system.

The system was originally operated with double deck coaches with seats in an open air upper deck as well as on the first floor level. The appeal of those coaches was principally for summer time riding. As equipment improved, more single-deck buses were used and the double-deck buses were fully enclosed. In recent years, as larger capacity single-deck buses became available, the use of double-deck buses was discontinued entirely. By taking advantage of improved methods the system, which had originally been dependent to a large degree on pleasure-type riding, has become a potent element in mass transportation in Chicago. It is now strongly competitive with routes of Chicago Transit Authority as most of the pick-up and delivery area is either on or within a short walk to routes of the Authority.

The fact that Chicago Motor Coach Company has always used buses has allowed it to use new developments in equipment without disturbing its basic plant or organization. Its personnel, servicing, equipment and housing had all been developed for bus operation. It had none of the conversion problems that beset the streetcar operators who changed to bus operation, such as disposing of old track and electric distribution, retooling shops for a new type of equipment, rebuilding various housing structures for a new type of equipment and instituting a vast retraining program for operating and maintenance personnel.

The fares on the Motor Coach System were 10 cents for Adults from its inception to September 17, 1948, a period of over 31 years. Only minor changes in fare structure were made in that period, such as the installment and enlargement of transfer privileges, the introduction of half fares and, in later years, the introduction of reduced rate railroad commuter service and parking lot shuttle service. A thirteen cent fare became effective on September 18, 1948 and the present fifteen cent fare was placed into effect on November 8, 1951.

For over 30 years, up to September 30, 1947, the fares were higher than on the Surface Lines of the predecessor companies of the Authority; during most of this period the Surface Lines had a 7-cent fare. This permitted Motor Coach to maintain adequate earnings and good credit and to continually replace outworn equipment with modern vehicles. Ever since the Authority's fare on surface lines exceeded that of the Motor Coach System, beginning May 11, 1948, the Motor Coach System has enjoyed a competitive advantage and their passenger loads have been relatively stable as the result of this. Over much of the past history the Rapid Transit fares were about the same as on the Motor Coach System, but in recent years they have been substantially higher. At the present time while the Motor Coach System has a 15-cent fare the rate on the Authority's surface lines is 20 cents or 5 for 85 cents and the rapid transit system fare is 20 cents or 5 for 90 cents.

On January 19, 1936 the interchange of transfers with Chicago Rapid Transit was inaugurated by order of the Illinois Commerce Commission. A similar interchange of transfers with Chicago Surface Lines was inaugurated on October 1, 1943. These transfer interchanges were continued after the Authority acquired the properties of Chicago Rapid Transit Company and Chicago Surface Lines on September 30, 1947. These transfers are for adult fares only. For Motor Coach transfers to routes of the Authority 5 cents is now collected by the Authority. Transfers are issued without charge by the Authority for acceptance by Motor Coach.

The Motor Coach System is operated by virtue of certificates of convenience and necessity issued by the Illinois Commerce Commission for operation of routes over certain specified streets. The company has no franchise from the City of Chicago. It pays compensation to Chicago Park District in return for the privilege of operating on the streets and boulevards under the jurisdiction of the Park District.

The company owns, in addition to the 595 motor buses equipped with modern fare collection devices, 19 combination snow plows and sand spreaders, 8 service trucks, 13 service automobiles and 5 service tractors.

A complete shop and garage building is located on the North side which also is used by the general offices of Chicago Motor Coach Company. There are three other garages on the North side, one on the West side and one on the South side, all are fully equipped for maintenance and servicing. Most of the night time storage is under roof.

The property is operated in three divisions—North, South and West. A total of 33 routes are listed in service, of which a number are short line routes on other services or special rush-hour routes. A number of routes provide service between the various suburban railroad depots and downtown points.

The company operated 16,469,788 bus miles in regular service in the year 1951 and also operates a substantial charter bus service. It has approximately 1300 employes.

LITIGATION

There is no litigation pending at the present time relating to the creation of the Authority or the validity of its bonds.

PROCEEDINGS APPROVED BY COUNSEL

All of the proceedings in connection with the issuance of the Series of 1952 Bonds are subject to the approval of Messrs. Chapman and Cutler, Bond Counsel for the Authority, and Messrs. Wood, King & Dawson, Bond Counsel for the purchasers.

TAX EXEMPTION

In the opinion of Bond Counsel, property of the Authority is exempt from state and local taxation, and its operating income, under existing statutes and decisions, is exempt from Federal taxation.

In the opinion of Bond Counsel, interest on the Bonds of the Authority is exempt from Federal income taxes under existing statutes, regulations and court decisions.

SUMMARY OF PROVISIONS OF THE TRUST AGREEMENTS

(References are to 1947 and 1952 Trust Agreements. *Italicized* references are to the 1952 Trust Agreement.)

Security

The Chicago Transit Authority Revenue Bonds, Series of 1947 and 1952, and any additional revenue bonds that may be issued under the conditions set forth in the Trust Agreement, together with all interest thereon, are payable solely from revenue or income derived from the transportation system of the Chicago Transit Authority, for which purpose a sufficient portion of the transportation system revenue or income remaining after payment of the cost of operation and maintenance thereof is pledged and will be set aside in special funds, and under no circumstances shall the bonds or any interest thereon be or become an indebtedness of Chicago Transit Authority within the purview of any constitutional limitation or provision, or an indebtedness or obligation of the State of Illinois or of any other political subdivision or municipality within the State, and the Authority shall not have power to levy taxes for any purpose whatsoever. (Articles 4, *7* and *Sections 11 and 12.*)

(In the opinion of Bond Counsel, the Bonds and the interest thereon are an obligation of Chicago Transit Authority, a public municipal corporation.)

Collection and Disposition of Revenue

Revenue Fund

All revenue or income of the Authority except moneys received from or on account of (a) liquidation, conversion or disposition of any property or assets (b) damage, loss or casualty to property (c) gifts, grants or loans (d) amounts collected and received from other companies as subway rental and required to be paid to the City of Chicago (e) any other amounts collected and received which under standard accounting practices are not properly classified as revenue or income, shall be deposited with the Trustee or to the credit of the Trustee in a special fund designated as the "Transit Revenue Fund". Moneys received under (a), (b), and the proceeds of gifts and grants, except as the restrictions of the respective gifts or grants may otherwise stipulate, shall be deposited in the Modernization Fund, hereinafter defined, and under (e) shall be disbursed as ordered by the Transit Authority Board. (Sections 701 and 702.)

All moneys in the Transit Revenue Fund as aforesaid shall be applied by the Trustee in the following order:

1. Operation and Maintenance Expenses (Working Cash Account)

Deposit with such depositaries as the Board may direct in the "Working Cash Account" such amounts as may be specified in written orders of the Board to pay the costs and expenses of operation and maintenance and any legal taxes and any legal license fees and assessments (other than compensation to municipalities for the use and occupancy of streets, tunnels, subways, tracks and other property) levied against property constituting the transportation system, to provide monthly in a separate fund designated as "Damage Reserve Fund" an amount which, in the opinion of the Board, shall be sufficient to provide for the adjustment, defense and satisfaction of all suits, claims and the payment and satisfaction of all judgments for damage to persons or property, and to set aside monthly into a separate fund designated as "Pension and Retirement Fund" such amounts as the Board shall deem necessary to provide for pensions and retirements. (Section 703.)

2. Interest Fund

To set aside in the Series of 1947 and 1952 Interest Funds, in equal monthly installments, amounts sufficient to pay when due the next succeeding semi-annual installment of interest falling due on all Series of 1947 and 1952 Bonds outstanding. (Section 703 and *Section 7.*)

3. Serial Bond Maturity Fund

To set aside in the "Series of 1947 Serial Bond Maturity Fund", in equal monthly installments beginning July 1, 1952, amounts sufficient to pay at the next succeeding maturity the Series of 1947 Bonds. (Section 703.)

4. Sinking Fund

To set aside in the Sinking Funds in equal monthly installments during the respective years preceding the dates hereinafter shown the following amounts:

SERIES OF 1947 SINKING FUND

During the Year Preceding July 1	Amount	During the Year Preceding July 1	Amount
1958	$1,149,200	1969	$2,584,680
1959	1,262,560	1970	2,746,860
1960	1,380,080	1971	2,914,140
1961	1,500,720	1972	4,107,540
1962	1,626,560	1973	5,255,030
1963	1,738,640	1974	5,438,850
1964	1,872,540	1975	5,628,730
1965	2,009,530	1976	5,825,680
1966	2,151,670	1977	6,029,700
1967	2,298,960	1978	6,179,000
1968	2,427,600		

SERIES OF 1952 SINKING FUND

During the Year Preceding Jan. 1	Amount	During the Year Preceding Jan. 1	Amount
1961	$ 345,000	1973	$ 655,000
1962	355,000	1974	710,000
1963	375,000	1975	755,000
1964	400,000	1976	800,000
1965	420,000	1977	845,000
1966	440,000	1978	930,000
1967	460,000	1979	2,900,000
1968	495,000	1980	2,900,000
1969	535,000	1981	2,900,000
1970	565,000	1982	2,900,000
1971	595,000	1982 (6 mos. to 7/1)	1,350,000
1972	615,000		

Moneys in the Sinking Funds shall be applied as rapidly as practicable to the purchase of Bonds of their respective series at the lowest prices reasonably obtainable, not exceeding their principal amount and any premium at which the same are next redeemable; provided that in the case of the 1947 Series so long as any bonds maturing July 1, 1978 are outstanding there shall be no such purchases made of any Series of 1947 bonds having any other maturity. If it is impracticable to attempt to purchase a sufficient amount of bonds to exhaust substantially all of the moneys in the Sinking Fund available for such purchases, the Authority on the next succeeding redemption date, occurring not less than sixty days thereafter, shall call for redemption in the manner provided sufficient bonds to exhaust substantially all of such available moneys. (Section 703 and *Section 7.*)

5. Bond Reserve Fund

To set aside in the "Series of 1952 Revenue Bond Reserve Fund" the sum of $23,000 each month until there has been accumulated in said fund an amount equal to 6% of the par value of "Series of 1952 Revenue Bonds" outstanding.

Whenever, on any interest payment date there are insufficient funds to pay the interest then due on any such Series of 1952 Bonds, the Trustee shall transfer from said Revenue Bond Reserve Fund the amount of such deficiency, and whenever funds are thus transferred the amount of such transfers shall thereafter be reinstated by the Trustee by setting aside, the sum of $23,000 monthly, out of the first moneys available until the aggregate amount in said fund equals the amount then required to be in such fund.

Amounts in excess of 6% of the par value of Series of 1952 Revenue Bonds outstanding shall be transferred by the Trustee to the Series of 1952 Sinking Fund.

The "Series of 1947 Revenue Bond Reserve Fund" amounting to $6,400,000 (maximum required) has been accumulated in full from earnings and is now held by the Trustee in United States Government Bonds and cash.

Moneys in said funds and not required for immediate disbursement may be invested and reinvested in bonds or notes of the United States of America or in bonds of the State of Illinois, having a maturity date not more than five years from the date of such investment or reinvestment or having a prepayment privilege at the option of the holder not more than five years from the date of such investment or reinvestment. (Section 703 and *Section 7.*)

6. Depreciation Reserve Fund

To set aside monthly in the "Depreciation Reserve Fund" an amount adequate to provide for estimated depreciation or obsolescence of the transportation system. The amount to be so set aside shall be as determined by the Board after considering the advice and recommendations of the Consulting Engineer.

In determining the provision for depreciation the Board covenants that (i) such amounts shall always be determined on a straight-line age-life basis and in determining the amount for new street cars, buses, subway and elevated cars acquired the Board shall use estimated service lives not in excess of: for street cars 20 years, for motor buses 10 years, for trolley buses 12 years, and for subway and elevated cars 30 years, provided these estimated service lives may be reviewed each 5 years and changed after review by the Consulting Engineer, and (ii) that provision for depreciation in 1952 and subsequent years be not less than 8% of operating income. (Sections 703 and 912.)

7. Revenue Bond Amortization Fund

To set aside in the "Revenue Bond Amortization Fund" during the 30 days after December 31, 1952 and quarterly thereafter $300,000 to be used for the purchase or redemption of the Series of 1947 Bonds and the Series of 1952 Bonds on a pro rata basis of all of the revenue bonds of the respective series as may be outstanding from time to time. Such payments shall be made only if all required payments to the Depreciation Reserve Fund have been made. Provided that nothing in the Supplemental Trust Agreement shall be construed to require the aggregate payments in any calendar year for principal, sinking fund and interest charges for account of the Series of 1947 Bonds and the Series of 1952 Bonds to be in excess of $8,850,000. All such payments into the Revenue Bond Amortization Fund shall be cumulative within each calendar year. The Authority shall not be required to call bonds for redemption if the funds applicable thereto in the Sinking Fund and Amortization Fund are not sufficient to call and redeem bonds in the principal amount of one hundred thousand dollars ($100,000) or more, but may do so in its discretion. (*Section 8.*)

Note: The first retirements made in accordance with these provisions would be divided 82.1% to the Series of 1947 and 17.9% to the Series of 1952. If $300,000 is earned quarterly each year for this Fund, the percentage allocation to the Series of 1952 Bonds will increase annually to approximately 22% in 1962, 36% in 1972 and 100% in 1974 and thereafter.

8. Operating Expense Reserve Fund

Supplemental to the provisions of paragraph (g) of Section 703 of the 1947 Trust Agreement the Authority agrees that the amount to be deposited by the Trustee in the Operating Expense Reserve Fund during each calendar year shall be to the extent earned, not less than $900,000, until the balance in the Fund is at least $4,000,000 and such amount thereafter as may be necessary to maintain such balance. (Section 703 and *Section 10.*)

9. Municipal Compensation Fund

To deposit with such depositary as the Board may direct in the "Municipal Compensation Fund" such amounts as may be required or agreed upon as compensation for the use of streets, tunnels, subways, tracks, alleys, public ways and grounds within municipalities including payments to the City of Chicago for the use and occupancy of City-owned subways.

(The Franchise Ordinance requires annual payments to the City of 3% of the gross revenue after January 1, 1952, but only to the extent that the earnings in each fiscal year shall be sufficient to pay said compensation in whole or in part.) (Section 703.)

10. Modernization Fund

Deposit at least semi-annually, with such depositary as the Board may designate in the Modernization Fund, funds not set aside in accordance with any of the above provisions.

There shall also be deposited in the Modernization Fund (i) such portion of the proceeds of the Series of 1952 Bonds as may be found by the Board to be in excess of the moneys required to be paid in the acquisition of the Chicago Motor Coach Company properties and other costs relating to this financing.

Moneys in the Modernization Fund may be disbursed by the Trustee upon the written order of the Board:

(a) to pay to the Authority such amounts of money as may be required to meet the costs of and expenses incurred in connection with acquiring, constructing, reconstructing, extending or improving the transportation system.

(b) to pay to the former owners of any properties and assets acquired, any agreed cash adjustments and amounts representing the value of any extension, addition or improvement constructed or installed between the date the price to be paid was fixed and the date of actual acquisition.

(c) to pay to the Authority such additional moneys as may be required for the restoration and replacement of property damaged or destroyed when the amount of such damage or destruction is in excess of $25,000 and is in excess of insurance moneys received.

(d) to pay to the Authority such other costs and expenses as are required or provided to be paid from the Modernization Fund by the provisions of the Trust Agreement.

(e) to pay to the Authority such amounts of money not available from other sources as are properly chargeable to a modernization fund under recognized accounting practice, and to pay the cost of removal of street car tracks, poles, wires, elevated rapid transit structures and facilities.

(f) if and whenever moneys in the Transit Revenue Fund may be insufficient to make the deposits specified in subparagraphs 2 to 5 inclusive above the Trustee shall use any moneys in the Modernization Fund other than gifts, loans and grants to make up such deficiencies in the order named above, and in the event sufficient moneys should not then be in the Modernization Fund to make the amount of such deposits, the Trustee shall use any moneys then in the Municipal Compensation Fund, the Operating Expense Reserve Fund and the Depreciation Reserve Fund in the order named to make the full amount of such deposits and, on a pro rata basis, to make the full amount of deposits required to be made into similar funds created for the payment of bonds of other series.

(g) whenever there are moneys in the Modernization Fund not needed for other purposes, the Board may require the Trustee to withdraw from the Modernization Fund and apply to the redemption of revenue bonds, such amounts as may be specified in written orders of the Board.

The Trustee, with the approval of the Board, may invest and reinvest all funds in excess of the amount of cash required to be held for the purpose of meeting current and prospective expenditures, in bonds or notes of the United States or bonds of the State of Illinois having a maturity date not more than five years from the date of such investment or reinvestment or having a prepayment privilege at the option of the holder not more than five years from the date of such investment or reinvestment. (Sections 703, 910 and Article 8.)

Issuance of Additional Bonds

In addition to the initial issue of $105,000,000 Series of 1947 Bonds, and $23,000,000 Series of 1952 Bonds, additional revenue bonds of one or more series may be issued ranking on a parity with these issues (a) to acquire other transit properties presently operating within the metropolitan area of Cook County, (b) to acquire, construct or reconstruct extensions or improvements, and (c) to refund any or all revenue bonds outstanding, provided among other things:

1. in the case of (a) above there shall be delivered to the Trustee a certificate by the Consulting Engineer, based upon an audit by independent accountants, that the difference between the revenue or income and the operating expenses (exclusive of property and income taxes and depreciation) of such properties computed for any twelve months period within eighteen months immediately preceding the date of acquisition after adjustment to reflect ownership and operation by the Authority was equal to or in excess of 200% of the maximum principal, sinking fund and interest charges occurring in any one year upon the bonds to be issued. (Section 502.)

2. in the case of (b) above there shall be delivered to the Trustee a certified copy of an ordinance or resolution of the Board finding that the Authority is not then in default in the debt service requirements of any outstanding indebtedness and that the amount by which the revenue or income of the transportation system including the revenue or income from the additional property to be acquired exceeds the operating expenses of said transportation system and said additional property as certified by a firm of independent accountants, computed for any twelve months period within the eighteen months immediately preceding the date of such issuance, shall be equal to or in excess of 200% of the sum of the maximum principal, sinking fund and interest charges occurring in any one year upon all revenue bonds then outstanding and the additional revenue bonds to be issued and provided also if existing privately owned transportation properties theretofore operated as a system or unit are to be acquired, then the revenue or income and the operating expenses thereof under private ownership and operation, after being adjusted to reflect ownership and operation by the Authority, shall be included in and added to the similar amounts of revenue or income and operating expenses of the transportation system. (Sections 503 and 505.)

3. in the case of (c) above where the bonds are being refunded prior to maturity, there shall be deposited with the Trustee a certified copy of an ordinance or resolution of the Board finding in each and every year while any revenue bonds, other than the refunding revenue bonds then being issued, are outstanding, the aggregate principal, sinking fund, interest and other debt service requirements of all revenue bonds outstanding including such refunding revenue bonds, but excluding the principal amount of the bonds being refunded, will be no greater than the aggregate principal, sinking fund, interest and other debt service requirements would have been if the bonds being refunded were not so refunded. (Section 504.)

The term "maximum principal, sinking fund and interest charges occurring in any one year" shall mean the maximum amount required in any one year for the total of:

(a) the bond interest charges.

(b) the payment for revenue bond reserve fund.

(c) the principal of bonds to the extent such payment will not be provided for by prescribed sinking fund payments.

(d) the sinking fund payment for bonds for which a sinking fund is provided, but the amount provided for the pertinent revenue bond reserve fund, together with the principal amount of bonds which have been retired in excess of the amount which could have been retired by redemption prior to maturity by the application of the prescribed sinking fund payments to the date as of which such maximum principal, sinking fund and interest charges are being determined, shall be credited toward the last sinking fund payments otherwise provided to be made.

Equipment Obligations

The Authority shall have power to purchase equipment such as cars, trolley buses and motor buses, through the sale of Equipment Trust Certificates in the forms ordinarily used in such cases and appropriate to effect such purposes. The agreements to purchase may direct the vendor to sell and assign the equipment to a bank or trust company, as trustee, for the benefit and security of the equipment trust certificates or notes and direct the trustee to deliver the equipment to one or more designated officers of the Authority and may authorize the trustee simultaneously therewith to execute and deliver leases of the equipment to the Authority. All such equipment trust certificates or notes shall be authorized or approved on behalf of the Authority by ordinance adopted by the Board. Such equipment trust certificates or notes, and any guarantee thereof, and such loans and trust agreements as may be executed in connection therewith, shall contain such covenants, conditions and provisions as may be deemed necessary or appropriate to insure the payment of the deferred purchase price of such equipment or of such equipment trust certificates or notes. The payment of equipment trust certificates or notes and lease rentals and all other payments on the deferred purchase of equipment shall only be made from the Modernization Fund, the Special Modernization Fund or the Depreciation Reserve Fund. The aggregate of obligations incurred shall not exceed $15,000,000 at any time unless the obligation to pay interest and principal thereon shall not exceed $2,500,000 for any twelve months' period. (Article 12.)

Covenant as to Rates and Charges

The Authority covenants to fix rates and charges for transportation so that the income and revenue derived shall at all times be sufficient in the aggregate to provide for the payment of all expenses and charges payable from such income and revenue, including, without limiting the generality of the foregoing, all operating costs and expenses, including the costs and expenses of establishing a damage reserve fund and a pension and retirement system, the prompt payment of the principal and the interest on all revenue bonds and other obligations of the Authority, as well as all sinking fund and reserve fund payments required to be made with respect thereto, the creation and maintenance of an adequate depreciation reserve and for the payment of all costs, expenses and charges of every kind necessary in the maintenance and operation by the Authority of an efficient transportation system, and the payments required to be made to the Municipal Compensation Account. (Section 902.)

The Authority will not furnish free transportation or any other service to any person, firm or corporation, except to employees of the Authority in full uniform or wearing an official badge of the Authority, or having special passes of the Authority, and City policemen and firemen and public health nurses in full uniform and members of the police force having special passes of the Authority upon certification of the commissioner of police that they are assigned to duty in civilian clothes. The Authority may enter into agreements with the United States Post Office Department for the transportation of mail, and the payment of compensation to the Authority in lieu of fares for the transportation of letter carriers, when in uniform at all times.

Consulting Engineers

The Authority covenants so long as any of the revenue bonds are outstanding to employ in an advisory capacity a competent independent consulting engineer or firm of engineers having a favorable national repute for skill and experience in the local transportation field, which engineer or engineers shall be appointed by the Board and shall be acceptable to the Trustee. The duties of such engineer or engineers shall be to inspect the transportation system and its operation and make reports and recommendations with respect thereto and with respect to the proper provision for depreciation, and it shall also be their duty annually, on or before the first day of November of each year, to make recommendations to the Authority for the succeeding annual budget for operation, maintenance, depreciation, replacements, property additions, and improvements, modernization and insurance coverage. (Section 908.)

W. C. Gilman & Company have been retained as Consulting Engineers by the Authority and have prepared a report covering the operations of the Authority and the effect thereon of the acquisition of Chicago Motor Coach. Pages 22 to 35 hereof. (De Leuw, Cather & Company Report is reproduced on pages 36 to 38 hereof.)

Annual Budget

The Authority covenants that on or before the first day of October in each year the Board will cause to be prepared and will file with the Secretary of the Authority, with the Trustee and with the Consulting Engineers a tentative budget of current expenses and of capital expenditures for the ensuing calendar year. The Authority covenants that it will comply with any reasonable request of the Consulting Engineers as to the classifications in which such budget shall be prepared, and that such proposed budget of capital expenditures will show separately (a) an estimate of the amount to be expended during the year from moneys deposited or transferred to the credit of the Depreciation Fund and (b) an estimate of the amount to be expended during the year from moneys deposited to the credit of the Modernization Fund. (Section 909.)

The Authority further covenants that after receiving the recommendations of the Consulting Engineers, it will hold a public hearing at its office in Chicago, Illinois, on or before the tenth day of December of each year on the proposed budget for the ensuing year, and on or before the first day of the next ensuing year will finally adopt the annual budget of current expenses and capital expenditures. No expenditures for operation and maintenance, replacements, property additions, improvements or modernization in excess of the annual budget shall be made during any year, unless such expenditures are further authorized by the affirmative vote of at least five members of the Board.

Accounting

The Authority covenants that it will cause its records and accounts to be kept in accordance with standard accounting principles and shall cause to be prepared and printed annual reports showing a complete and detailed report of its operations for the year and a statement of its assets and liabilities, as of December 31 of each calendar year, and for the purpose of having such reports certified the Authority shall cause the books of accounts to be audited by independent certified public accountants and a report of the results of such audits shall be filed with the Trustee. Such certified public accountants shall be selected by the Board and shall be acceptable to the Trustee. (Section 907.) Arthur Andersen & Co. have been retained by the Authority and copies of their audit as of July 31, 1952 are available.

Insurance

The Authority covenants to obtain from responsible insurance companies and to maintain insurance to the reasonable insurable value of the properties of the transportation system against loss by fires, wind, storms, explosions, burglary, theft and other damage and losses to the extent that property of similar character is usually insured by utility enterprises similarly situated and operating like properties; provided, the Authority may elect partially or wholly to provide such insurance by means of an insurance fund or otherwise. (Article 10.)

Leases and Sale of Property

The Authority may lease, sell or otherwise dispose of any property which, in the opinion of the Board, is no longer necessary or required. All revenue or income from leases shall be deemed to be revenue or income of the transportation system and shall be deposited in the Transit Revenue Fund and the proceeds of any sale or disposal shall be deposited in the Modernization Fund. (Article 11.)

Modifications

Modifications or alterations or amendments of the Trust Agreement or of any rights and obligations of the Authority, or the Trustee and of the holders of the revenue bonds and coupons of the Authority in any particular, may be made at a meeting duly convened and held, but only by a resolution duly adopted by the affirmative vote of the holders of 75% or more in aggregate principal amount of the revenue bonds outstanding when such meeting is held; provided, however, that no such modification, alteration or amendment shall be made which will (a) permit an extension of the time of payment at maturity of the principal of or payment of the interest on any revenue bond, or (b) reduce the percentage of holders of revenue bonds required for the taking of any action under this paragraph, and, provided further, that no such modification, alteration or amendment, which in the opinion of the Trustee, affects the rights, duties or immunities of the Trustee may be made without the consent of the Trustee. (Article 17.)

Remedies

If and whenever there shall be a failure on the part of the Authority or of the Board or any of the officers, agents or employees of either or both thereof to observe or perform any undertaking, covenant, obligation, condition or agreement contained in the Trust Agreement or in any revenue bond issued under or secured by the Trust Agreement, or if there be a failure or refusal on the part of the Authority or of the Board of any of the officers, agents or employes of either or both thereof to perform or comply with any duty or obligation imposed by the law pursuant to which the Trust Agreement has been executed and revenue bonds issued, then in any of such events it is expressly agreed that the Trustee may, and upon the written request of the holder or holders of twenty per centum (20%) of the principal amount of revenue bonds outstanding, and if indemnified to its reasonable satisfaction, shall institute any appropriate legal, equitable or other proceeding for the purpose of specifically enforcing such undertakings, covenants, conditions, obligations or agreements, or any or either of them, and to compel performance and compliance therewith, provided, however, that no proceeding shall result in a lien or a foreclosure of any physical property of the Authority. (Article 14.)

No holder of any bond or of any interest coupon shall have any right to institute any suit, action or proceeding at law or in equity for the appointment of any trustee in bankruptcy, receiver, liquidator or custodian of the revenue or income of the transportation system and other funds pledged unless such holder shall previously have given to the trustee written notice of an existing default, and unless also, there shall have been tendered to the Trustee security and indemnity satisfactory to it against all costs, expenses and liabilities which might be incurred in or by reason of such action, suit or proceeding, and unless also the holders of 20% in aggregate principal amount of all bonds then outstanding shall have requested the Trustee in writing to take action and the Trustee shall have declined to take such action or failed so to do within 30 days thereafter. No one or more holders of bonds or interest coupons shall have any right to institute or prosecute any action, suit or proceeding except for the equal proportionate benefit of all of the holders of bonds and interest coupons outstanding.

Our pro forma statement of application of revenues to fixed requirements appears as Exhibit "C", page 39 and pro forma balance sheet as Exhibit "D", page 42, herein.

Very truly yours,

CHICAGO TRANSIT AUTHORITY

By Ralph Budd
Chairman.

EXHIBIT A

W. C. GILMAN & COMPANY
ENGINEERS
55 LIBERTY STREET
NEW YORK 5, N. Y.

September 15, 1952

Chicago Transit Authority
Merchandise Mart
Chicago 54, Illinois

Gentlemen:

In accordance with your request we have prepared a summary review of the operations of the Authority from the takeover date—October 1, 1947—to July 31, 1952, and have made a study of the effect on the Authority's operations of the proposed acquisition of the property and business of Chicago Motor Coach Company.

We have been familiar with the affairs of the Authority for some years; in 1947 we prepared a detailed report on the Surface Lines and Rapid Transit operations in connection with the sale in August 1947 of $105,000,000 Revenue Bonds to provide cash for purchase of the properties and for modernization and other purposes; since 1947 we have been retained by the Authority as Consulting Engineers as provided for in Section 908 of the 1947 Series Revenue Bond Indenture.

Our report is attached. (Pages 22 to 35 hereof.)

Respectfully submitted,

W. C. Gilman & Co.

W. C. Gilman & Company

CHICAGO TRANSIT AUTHORITY

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CHICAGO TRANSIT AUTHORITY

Report on Operations from October 1, 1947 to July 31, 1952 including Effect of the Proposed Acquisition of Chicago Motor Coach Company Properties

Purpose and Scope of Report

Chicago Transit Authority has recently consummated negotiations for the purchase of the properties and business of Chicago Motor Coach Company, its principal mass transportation competitor in the Chicago area. The purchase price of $16,500,000, plus adjustments, will be financed by the issuance and sale of $23,000,000 additional revenue bonds of the Authority, the balance of the proceeds to be used for other property additions. This report summarizes the progress to date of the Authority and discusses the effects of the Motor Coach acquisition on the Authority's operations and earnings, and is made up of two sections:

I—A summary review of Chicago Transit Authority operations covering the nearly five years from the takeover of Chicago Surface Lines and Chicago Rapid Transit properties on October 1, 1947 to July 31, 1952, with certain comparable figures for Chicago Motor Coach Company for the same period.

II—A review of the current operations of Chicago Motor Coach and an analysis of the effects of the acquisition of its properties on the financial results of operation of Chicago Transit Authority and on transit service in the Chicago area.

I—REVIEW OF OPERATIONS

October 1, 1947 to July 31, 1952

Progress of Modernization

Since the start of a 10-year, $150,000,000 transit modernization program for Chicago there has been invested approximately $77,000,000 in modernizing the transportation equipment, services and facilities which now comprise the system of Chicago Transit Authority. Under this program a total of 2,815 modern cars and buses—900 gasoline and diesel buses of the latest design, 600 streamlined streetcars, 560 trolley buses, 551 propane buses, and 204 all-metal rapid transit cars—have been purchased, exceeding the amount bought by the predecessor companies in the previous 38 years.

This program was initiated in 1945 immediately after the establishment of the Chicago Transit Authority and, under the supervision of the Authority, substantial progress was made by the predecessor companies prior to October 1, 1947 when the Authority purchased the properties of Chicago Surface Lines and Chicago Rapid Transit Company. During this pre-takeover period 641 modern type transit vehicles were purchased at a cost of approximately $11,000,000. These purchases were financed out of transit improvement funds which, under an agreement with the City of Chicago, had been accumulated by Chicago Surface Lines. The balance remaining in this fund on October 1, 1947 was acquired by the Authority and provided a portion of the money for the $66,000,000 which the Authority has subsequently spent towards the completion of the Modernization Program and other property improvements.

Overall Balance Sheet Position

On October 1, 1947, Chicago Transit Authority with the $105,000,000 proceeds from the sale of its Series 1947 Revenue Bonds acquired the properties of Chicago Surface Lines and Chicago Rapid Transit Company, including materials and supplies and certain other assets and liabilities, and secured some $20,000,000 of cash for property modernization as well as $7,000,000 of cash working capital. Summarized balance sheets of the Authority as of October 1, 1947 (before all final purchase price adjustments) and as of July 31, 1952, are shown below:

	As of October 1, 1947	As of July 31, 1952
ASSETS:		
Property and Plant	$ 74,063,018	$128,465,522
Less Depreciation Reserve	—	20,488,229
Net Plant Account	$ 74,063,018	$107,977,293
Special Funds	23,959,726	11,457,480
Current Assets	20,612,874	20,636,711
Deferred Charges	55,155	238,442
Total Assets	$118,690,773	$140,309,926
LIABILITIES:		
Equipment Obligations	$ —	$ 13,444,000
Less Funds on deposit with Trustee	—	1,741,058
Net	$ —	$ 11,702,942
Revenue Bonds	105,000,000	105,000,000
Accumulated Net Earnings	—	6,230,386
Current Liabilities	6,115,545	8,546,261
Deferred Liability for paving	—	1,791,970
Injuries and Damages Reserve	7,000,000	7,038,367
Pensions	145,228	—
Municipal and State Grants	430,000	—
Total Liabilities	$118,690,773	$140,309,926

Property and Plant

The properties taken over by the Authority on October 1, 1947 included the 641 modern type transit vehicles purchased by the predecessor companies since 1945, referred to above. The net increase of $54,402,504 in the plant account of the Authority between October 1, 1947 and July 31, 1952 represents additional gross expenditures of $66,449,674 for new transit facilities and replacements less property retirements of $12,047,170, as follows:

Type of Property	
PROPERTY ADDITIONS AT COST:	
Revenue Equipment	$45,835,947
Garage Land and Structures	5,955,683
Shop and Other Equipment	1,403,043
Track Reconstruction, Terminals, etc.	9,841,678
Other Property	3,413,323
Total Gross Additions	$66,449,674
PROPERTY RETIREMENTS AT BOOK VALUE:	
Revenue Equipment	$ 1,312,689
Track and Related Property	8,392,588
Land and Buildings Sold	1,549,825
Other Property Retired	792,068
Total Retirements	$12,047,170
NET PROPERTY ADDITIONS	$54,402,504

When the Authority took over on October 1, 1947 it acquired a total of 5,396 revenue vehicles. Of these, there are 641 modern transit vehicles still in service representing acquisitions by the predecessor companies with the approval of the Board of the Authority. As of July 31, 1952 the Authority owned 5,030 revenue vehicles of which 2,815 are of modern type and of these 2,174 have been acquired by the Authority since October 1, 1947. These changes in number and type of revenue vehicles are shown below:

	Acquired as of October 1, 1947	October 1, 1947 to July 31, 1952		Owned as of July 31, 1952
		Retired	Acquired	
SURFACE DIVISION:				
2 Man Street Cars—Old	2,442	1,953	—	489
PCC Type	204	1	396	599
1 Man Street Cars—Old	199(a)	—	—	199
PCC Type	83(b)	—	—	83
Total Street Cars	2,928	1,954	396	1,370
Trolley Buses	152	27	559	684
Motor Buses—Gasoline	657	174	366	849
Propane	—	—	551	551
Diesel	36	—	100	136
Total Motor Buses	693	174	1,017	1,536
Total Surface Division	3,773	2,155	1,972	3,590
RAPID TRANSIT DIVISION:				
Old Cars (Wood, and Wood and Steel)	1,166	385	—	781
Old Steel Cars	455	—	—	455
New Steel Cars	2	—	202	204
Total Rapid Transit Division	1,623	385	202	1,440
TOTAL SYSTEM	5,396	2,540	2,174	5,030

(a) Most of these converted to one-man by CTA.

(b) These were 2-man cars on October 1, 1947 and were converted to one-man cars in 1951-2.

The acquisition by the Authority and the predecessor companies of these 2,815 units of modern revenue vehicles, and other capital additions, at a total cost of $77,000,000 represents a modernization program performance exceeding anything in urban transit history.

The book values of property retired represent an allocation of the original 1947 purchase price to individual classes and items of property on a basis which took into consideration the accrued depreciation at October 1, 1947 and the probable service value and service lives of the items then scheduled for early retirement in the modernization program.

Special Funds

Special cash funds as of the two dates were made up as follows:

	October 1, 1947	July 31, 1952
UNDER CONTROL OF REVENUE BOND TRUSTEE:		
Special Modernization Fund	$18,836,176	$ —
Modernization	3,864,697	26,911
1947 Series: Bond Reserve	—	6,381,686
Serial Bond Maturity	—	83,333
Depreciation	—	2,969,280
Operating Expense Reserve	—	716,784
OTHERS:		
Injuries and Damages Reserve Fund	1,113,625	1,279,486
Funds Held Pending Set Up of Pension Plan	145,228	—
Total Special Funds	$23,959,726	$11,457,480

The modernization funds as of October 1, 1947 represent the aggregate of the transit improvement fund balances acquired with the purchase of the properties plus the excess of the bond proceeds over the price paid for property and assets and after providing $7,000,000 of working cash.

Depreciation Reserve

The Authority started operations with no depreciation reserve. During its 4 years and 10 months of operation it has charged to operations and credited to depreciation reserve an aggregate of $32,480,310, accrued each year on either a straight line life basis or at the minimums specified in the 1947 Trust Agreement, whichever was greater. In this period property retirements of $11,992,081 have been charged against the accumulated reserve leaving a balance of $20,488,229 at July 31, 1952.

These depreciation accruals of $32,480,310 have represented cash appropriated from earnings into the Depreciation Fund which has been used as follows:

		October 1, 1947 to July 31, 1952
Aggregate Cash Transfers to Depreciation Reserve		$32,480,310
Cash Expenditures:		
For property replacements, additions or improvements	$22,610,858	
For restoration of paving after track abandonment	364,947	
Debt Service on Equipment obligations:		
Interest	1,153,167	
Principal	5,382,058	29,511,030
Balance in Depreciation Fund—July 31, 1952		$ 2,969,280

Other Assets and Liabilities

Current assets and current liabilities as of the two balance sheet dates are shown below:

	October 1, 1947	July 31, 1952
CURRENT ASSETS:		
Working Cash	$ 9,451,429	$10,763,319
Cash in Special Funds	2,619,439	—
Deposits for payment of interest	943,462	417,465
Accounts receivable	98,500	1,092,413
Materials and supplies	6,972,638	7,322,392
Prepayments and other current assets	527,406	1,041,121
	$20,612,874	$20,636,710
CURRENT LIABILITIES:		
Accounts payable	$ 311,334	$ 4,310,058
Accrued wages	—	3,192,760
Accrued interest	953,905	417,465
Unredeemed tickets and tokens	157,861	625,978
Estimated purchase price adjustments	4,692,445	—
	$ 6,115,545	$ 8,546,261

Equipment obligations are discussed in a later paragraph of this report.

The accumulated net earnings of the System to July 31, 1952 have been allocated according to the 1947 Trust Agreement as follows:

Debt Service Requirements:	
Serial Bond Maturity	$ 83,333
Revenue Bond Reserve	6,381,686
Operating Expense Reserve	716,785
Modernization	120,085
Other	81,664
Total	$7,383,553
Less accumulated interest on Equipment Obligations paid from Depreciation Reserve Fund	1,153,167
Balance	$6,230,386

The 1945 franchise ordinance provides that the Authority shall pay to the City of Chicago $10,000 per street mile of double track when unused track is removed and the track zone repaved. The deferred liability for paving of $1,791,970 as of July 31, 1952 represents payments still to be made to the City for track no longer in use but not yet removed from the streets. The liquidation of this liability will depend on the repaving program of the City, but the annual payments by the Authority are limited to $300,000 per year by the Ordinance.

Funds for Modernization

The aggregate expenditures of $66,449,674 by the Authority for transit improvements have been financed from the following sources:

Modernization funds from original financing		$24,839,311
Direct expenditures from depreciation fund		22,677,923
Proceeds from sale of Equipment Obligations		17,085,000
Modernization funds from earnings, including interest on fund balances:		
Total available	$120,085	
Balance 7/31/52	26,911	93,174
Proceeds of sales of property, insurance recoveries, interest on fund balances and other items		1,754,266
Total		$66,449,674

The 1947 Trust Agreement provides that the Authority may have outstanding at any one time a maximum of $15,000,000 of equipment obligations. Such obligations in that principal amount were issued in 1950. As monthly principal repayments were made, $825,000 of additional obligations were issued in 1951 and $1,260,000 in the early part of 1952. Later in 1952 arrangements were made with investment bankers to redeem $13,372,000 of such outstanding obligations (representing $13,444,000 outstanding on July 31, 1952 less $72,000 outstanding August 1, 1952). Funds for this purpose were provided by $9,400,000 of new equipment obligations, depreciation reserve funds and funds on deposit with the Equipment Trustees. These arrangements also covered the issuance, as funds are needed by the Authority, of additional equipment obligations during 1952, 1953 and 1954 to a maximum amount outstanding at any time of $15,000,000, which will provide the Authority with $15,000,000 over the next 30 months and has permitted it to make plans for ordering 300 additional steel rapid transit cars and 100 additional motor buses.

Interest and principal repayments on the equipment obligations are paid monthly out of the depreciation fund and such charges are, therefore, junior to the debt service requirements of the 1947 Series Revenue Bonds or any subsequent series of such bonds. The maximum term of these obligations is 7½ years and the average money cost not over 4%.

Earnings Record

The earnings record for the entire period of the Authority's operation to July 31, 1952 is summarized below:

		October 1, 1947 to July 31, 1952	
		Amounts	% of Revenues
Total revenues		$553,201,004	100.00%
Operating expenses and maintenance		493,255,133	89.16
Balance for debt service and depreciation		$ 59,945,871	10.84
Debt service requirements		24,734,680	4.47
Balance		$ 35,211,191	6.37
Appropriations for depreciation		32,480,310	5.88
Balance		$ 2,730,881	.49
Appropriations for:			
Operating expense reserve	$ 716,784		
Municipal compensation	1,897,776	2,614,560	.47
Balance to Modernization Fund from earnings		$ 116,321	.02

The above summary does not take into account $261,115 of interest earned on investments in funds controlled by the Revenue Bond Trustee, allocated as follows: Revenue Bond Reserve $175,686; Modernization $3,765; other depreciation and special modernization $81,664.

The annual distribution of these aggregate revenues, expenses and balances available for debt service and depreciation by years has been as follows:

Period	Revenues	Operating Expenses	Balance for Debt Service and Depreciation
10/1-12/31 1947	$ 26,965,395	$ 25,200,295	$ 1,765,100
Year 1948	115,645,824	103,033,793	12,612,031
Year 1949	116,239,238	105,495,146	10,744,092
Year 1950	115,812,894	102,055,510	13,757,474
Year 1951	112,533,696	99,995,224	12,538,472
1/1-7/31 1952	66,003,867	57,475,165	8,528,702
4 years 10 months	$553,201,004	$493,255,133	$59,945,871

Similar annual figures for the application of the aggregate of $59,945,871 of earnings available for debt service and depreciation are as follows:

Period	Revenue Bond Interest	Debt Reserve	Depreciation	Balance
10/1-12/31 1947	$ 954,115	$ 321,000	$ 1,300,000	$ (810,015)
Year 1948	3,816,250	1,284,000	5,400,000	2,111,781
Year 1949	3,816,250	1,284,000	6,500,000	(856,158)
Year 1950	3,816,250	1,284,000	6,500,000	2,157,224
Year 1951	3,816,250	1,284,000	7,500,000	(61,778)
1/1-7/31 1952	2,226,232	832,333	5,280,310	189,827
4 years 10 months	$18,445,347	$6,289,333	$32,480,310	$2,730,881

During this period the Authority has met in full the 1947 Trust Agreement requirements for debt service and depreciation. In addition it has appropriated $716,784 for Operating Expense Reserve and $1,897,776 for Municipal Compensation. Appropriations for Operating Expense Reserve can be made in any month only after full requirements to date for debt service and depreciation have been met, are now limited to $75,000 per month by Transit Board Ordinance and are not cumulative. After accruing for Operating Expense Reserve, all remaining earnings are set aside for Municipal Compensation up to a total during the years 1947 through 1951 of 1% of revenues and after January 1, 1952 to a total of 3% of revenues. Such accruals are cumulative only during each calendar year. Municipal Compensation was paid in full for 1948 and substantially in full for 1950. Earnings over and above Municipal Compensation in any year go into the Modernization Fund, the $116,321 shown above having been earned entirely in 1948.

Balances available for debt service and depreciation for 12 month periods ending each month beginning September 30, 1948, together with the percentage relationship of these balances to $6,622,359, the maximum annual debt service on the $105,000,000 of 1947 Series Revenue Bonds have been computed. From September 30, 1948, to July 31, 1952 there are 47 such periods for which these balances have averaged 192% of $6,622,359 maximum annual debt service. In the table below these relationships by quarters are shown:

Balance for Debt Service and Depreciation in % of Maximum Annual Debt Service of $6,622,359

12 Months Ended	Amount	%	12 Months Ended	Amount	%
9/30/48	$10,093,063	152%	9/30/50	$14,921,302	226%
12/31/48	12,612,030	191	12/31/50	13,757,474	208
3/31/49	14,098,459	212	3/31/51	12,718,674	192
6/30/49	14,290,829	216	6/30/51	11,817,610	179
9/30/49	10,958,946	166	9/30/51	11,928,070	180
12/31/49	10,744,092	162	12/31/51	12,538,472	190
3/31/50	11,607,372	176	3/31/52	13,105,017	198
6/30/50	13,136,441	198	6/30/52	14,356,382	217
			7/31/52	14,768,842	223

Trend of Traffic

Since takeover the transit system of the Authority has been faced with a continually declining volume of traffic and continually increasing wage rates and material costs. This has been true of urban transit operations, generally. This continuing decline in volume of transit traffic, while due primarily to the increased number and use of private automobiles, has been influenced by the five day work week, increased vacation time, decentralization of shopping centers and industrial plants, television, higher transit fares and other factors. These nationwide trends, coupled with local business conditions and competitive transit facilities, have affected transit traffic in varying degrees in different urban centers.

The following table compares the trend of revenue passengers carried by the System of the Authority, by Chicago Motor Coach and by the total of the transit systems operating in four cities in the United States with over 1,000,000 population (Chicago, Philadelphia, Los Angeles and Detroit) from 1946 to date. New York City has been omitted from this total because of completely different local conditions. This comparison indicates that the trend of transit traffic in Chicago as represented by the combination of the Authority and the Motor Coach has been the same as or at times more favorable than the four city index, but that the Motor Coach has gained at the expense of the Authority.

	Revenue Passengers Carried in Thousands					
	Chicago Transit Authority		Chicago Motor Coach Co.		Combined Index CTA-CMC Index—4	Cities Over 1,000,000 Pop. Excl. New York City
	Number	Index	Number	Index		
1946	1,074,878	100.0%	72,732	100.0%	100.0%	100.0%
1947	1,034,335	96.4	85,836	118.0	97.6	97.0
1948	963,001	89.6	89,211	122.8	91.7	91.5
1949	847,111	78.9	82,842	114.0	81.0	80.1
1950	752,201	70.0	80,911	111.2	72.6	71.9
1951	697,143*	65.0	82,298	113.1	67.9	65.5
12 Mo. 7/31/52	656,625*	61.1	84,363	116.0	64.6	64.7

*Includes estimated rides on $1.25 limited area weekly pass as follows:

Year 1951	195,000
12 Mo. 7/30/52	725,000

Prior to the takeover by the Authority the Rapid Transit lines and the Surface operations were competitive facilities. Under the Authority the two types of service have been treated as an integrated system. By eliminating many lesser used stations, the purchase of new cars and the completion of the Milwaukee Ave.-Dearborn St. Subway by the City, the service on the subway-elevated routes has been made more attractive and more comfortable and these routes are being more efficiently used for the type of operation for which they are best adopted. These service improvements have been reflected in the more favorable trend in the volume of Rapid Transit passengers carried, as shown below.

	Surface Division		Rapid Transit Division	
	Revenue Passengers (000)	Index	Revenue Passengers (000)	Index
1946	917,002	100.0%	157,876	100.0%
1947	888,535	96.9	145,800	92.4
1948	825,380	90.1	137,622	87.2
1949	724,851	79.0	122,260	77.4
1950	641,597	70.0	110,604	70.1
1951	584,141	63.7	112,807	71.4
12 Mo. 7/31/52	542,354	59.1	114,270	72.3

Trend of Wages

When the Authority took over the transit properties the top hourly rate for one-man Surface Division vehicle operators was $1.42 per hour. The current labor contract covering Surface Division operators, executed on July 25, 1951, provided for a basic one-man vehicle operator rate of $1.77 per hour effective June 1, 1951, with a 3¢ per hour increase on January 1, 1952, and an additional 4¢ per hour on June 1, 1952. It also provided for cost of living adjustments quarterly during the term of the contract, which runs until May 31, 1953, under which an additional 1¢ per hour increase was made effective October 1, 1951, a 3¢ per hour increase on January 1, 1952, a 2¢ per hour decrease on April 1, 1952, and an increase of 3¢ per hour on July 1, 1952. The overall effect is a current one-man vehicle operator rate of $1.89 per hour since July 1, 1952. The wage changes since 1947 are shown below:

Effective Date	Surface Division One Man Vehicle Operator
5/25/47	$1.42 Per Hour
6/ 1/48	1.53
12/ 1/48	1.55
6/ 1/49	1.60
12/ 1/49	1.65
6/ 1/50	1.70
6/ 1/51	1.77
10/ 1/51 (Cost of Living, 1¢)	1.78
1/ 1/52	1.81
1/ 1/52 (Cost of Living, 3¢)	1.84
4/ 1/52 (Cost of Living, 2¢ decrease)	1.82
6/ 1/52	1.86
7/ 1/52 (Cost of Living, 3¢)	1.89

Comparable wage adjustments were made on these same dates to other employees of the Authority.

A pension plan was made effective for all employees of the Authority on June 1, 1949. This is a contributory plan, the employee contribution being 2% of their pay to June 1, 1951, and the Authority contributing 3% to June 1, 1950 and 4% to June 1, 1951. As of that date the plan was amended and the employee contributions increased to 2½% of salary and the Authority contributions to 5% to December 31, 1952; 3% and 6% respectively for 1953 and 3½% and 7% respectively for 1954 and 1955. The Authority's contribution for the 12 months ended July 31, 1952 was $3,568,584 and under the present agreement will increase substantially in the next few years. Both employee and Authority contributions are deposited with a pension trustee so that neither the pension fund nor the liability for pensions appear on the balance sheet of the Authority.

Trend of Fares

In spite of these increased cost items, total annual operating expenses as shown above have been and still are declining because of reduced mileage operated and operating economies. It has not been possible, however, to reduce service and the costs incident thereto in proportion to the decline in the volume of traffic. It has been necessary, therefore, to offset the decline in revenues resulting from the declines in traffic by several upward adjustments in basic rates of fare, as follows:

	CTA Basic Rates of Fare	
	Surface Division	Rapid Transit Division and Express Buses
Previous to date of takeover	9¢	12¢
Oct. 1, 1947 (takeover date)	10¢	12¢
May 11, 1948	11¢	13¢
June 20, 1948	13¢	15¢
Oct. 15, 1949	15¢	17¢
August 1, 1951	17¢	18¢
June 1, 1952	20¢ cash 5 tokens/85¢	20¢ cash 5 tokens/90¢

This trend in basic fares has been general on urban transit systems throughout the country, and the cost of a ride on the CTA System in Chicago is not radically different from the cost of a ride in many other major metropolitan centers. Even though comparisons of fares are dangerous unless accompanied by a full explanation of the service furnished, condition of equipment, the financial soundness of the enterprise and other factors, the following comparison is of interest:

	Cost of a Transit Ride at Minimum System Fare	
	No Transfer	With Transfer
Chicago—Surface	17.00¢	17.00¢
Rapid Transit or Express Bus	18.00	18.00
Cincinnati	17.00	17.00
Kansas City	18.75(a)	18.75
Baltimore—Regular	17.00	17.00
Limited Stop Buses	20.00	20.00
Pittsburgh—Regular	16.67	19.00
Through Buses	21.00	21.00
Cleveland—Regular	14.28(b)	16.28
Express Buses	19.28	21.28
Omaha	17.50	17.50
Indianapolis	15.00	18.00
St. Louis—Regular	16.67	16.67
Express Buses	19.67	19.67
New York	10.00	20.00(c)

(a) With more than 9 rides per week, a weekly permit will give lower average fare.

(b) With 17 or more rides per week an unlimited weekly pass will give lower average fare.

(c) No transfers between city rapid transit and surface except at 2 locations and, with minor exceptions, no transfers between lines with different ownerships.

The fare change effective June 1, 1952 introduced for the first time on the System of the Authority a differential between the cash fare and a token fare provided for frequent users of the service and at the present time between 55% and 60% of the originating passengers on the System are making use of these tokens.

During most of the period since October 1, 1947, the fares of Chicago Motor Coach have been less than the Surface Division fares of the Authority. On October 1, 1947, and for some period prior thereto, the adult fare was 10¢, on September 18, 1948, was raised to 13¢, and on November 8, 1951 to 15¢. These basic fares have been less than CTA Surface Division fares except for the 7½ months from October 1, 1947 to

May 11, 1948 and the 13 months from September 18, 1948 to October 15, 1949, and have been consistently less than CTA Rapid Transit Division fares.

Since 1943 intercompany transfers between the two systems have been available to passengers paying the prevailing basic adult rate of fare with any existing fare differential being paid when the transfer is presented for a ride on the other system. Since October 1, 1947, except for the two periods mentioned, there have been fare differentials paid by passengers presenting Motor Coach transfers on CTA vehicles. Since June 1, 1952, such differential is based on the 20¢ CTA cash fare and is 5¢ for the use of a Motor Coach transfer on either CTA Surface or Rapid Transit routes. Since October 1, 1947 there have been no payments made in either direction between the two systems on account of intercompany transfers.

Certain lower fares, for limited rides in the downtown loop area, without transfer privileges, have been in effect from time to time on CTA vehicles. These fares were not extensively used and have been discontinued. The Chicago Motor Coach service from the Loop area to public parking lots in Grant Park, originally at a 5¢ fare, has had a 7¢ fare since November 8, 1951, and currently accounts for 1.8% of the Motor Coach revenues. The Motor Coach also has a 10¢ fare between the Union and Northwestern Stations and the Loop area in conjunction with railroad suburban commutation tickets.

Trend of Operating Costs

In spite of the increases in basic wage rates, pensions and the costs of nearly all other items necessary for System operation and for property maintenance, the operating expenses of the Authority in cents per vehicle mile operated have increased only moderately and have shown a declining trend in annual dollar amount.

12 Month Period Ended	Total Operating Expenses and Maintenance Amount	¢/Vehicle Mile	Total Vehicle Miles Operated	Originating Revenue Passengers Per Vehicle Mile
Dec. 31, 1948	$103,033,793	57.91¢	177,913,125	5.41
1949	105,495,146	60.79	173,540,258	4.88
1950	102,055,510	62.63	162,934,584	4.62
1951	99,995,224	63.98	156,291,963	4.46
July 31, 1952	99,285,777	64.70	153,466,475	4.27

These results have been secured through the increased percentage of one-man operation as the modernization program has progressed, through other System operating economies and by service adjustments as the number of passengers have declined. These progressive changes in type of operation are shown by the following table:

Per Cent of Total System Vehicle Miles by Type of Service

	Surface Division					
	Street Cars					
Period	2-Man	1-Man	Trolley Bus	Motor Bus	Total Surface 1-Man Operation	Rapid Transit Division Total
1948	49.3%	2.9%	3.4%	18.2%	24.5%	26.2%
1949	43.4	2.4	5.8	20.9	29.1	27.5
1950	36.6	5.6	6.9	23.6	36.1	27.3
1951	29.4	4.5	7.5	30.8	42.8	27.8
7 Mos. 7/31/52	21.0	3.6	11.2	35.4	50.2	28.8
July, 1952	17.1	4.7	12.0	37.6	54.3	28.6

The operating expenses of the Authority are made up of certain costs resulting directly from the type of operation, namely,—way and structures maintenance, equipment maintenance, electric power and motor fuel and conducting transportation. Other costs which are kept only on a System basis are traffic and advertising, injuries and damages, pensions and general and administrative expenses. These costs per vehicle mile are set forth below:

	Direct Costs by Type of Service						
Period	Street Cars	Trolley Bus	Motor Bus	Rapid Transit	Total	General Costs for System (a)	Total System Operating Expenses
1948	59.7¢	34.9¢	41.5¢	41.9¢	50.9¢	7.0¢	57.9¢
1949	66.6	38.5	41.5	42.6	53.1	7.7	60.8
1950	68.8	43.3	42.4	42.4	54.3	8.3	62.6
1951	74.0	45.9	43.6	46.4	54.8	9.2	64.0
12 Mos. 7/31/52	79.5	46.6	45.4	46.8	54.9	9.8	64.7

(a) Detail below.

The greater increases in the street car and trolley bus unit costs are due in part to electric power which has increased in cost from 1.15¢/kwh in 1948 to 1.55¢/kwh for the 12 months ended July 31, 1952, while the extended use of propane and diesel motor buses has served to decrease the average cost of motor fuel from 5.73¢ per bus mile in 1948 to 4.81¢ for the current period. Similar increased electric power costs for the Rapid

Transit have been largely offset by operating economies resulting from station eliminations and new cars. Since a considerable portion of Rapid Transit Division direct costs are substantially fixed, such as agents' salaries and station and structure maintenance, the incremental cost of handling additional traffic by Rapid Transit is much less than by trolley bus or motor bus.

System general costs have been as follows:

Period	Provision for Injuries and Damages	Provision for Employee Insurance and Pensions	Traffic and Other General Expenses	Track and Facility Rentals
1948	$5,782,291	$2,411,890	$3,413,019	$ 929,595
1949	5,710,031	3,237,435	3,430,763	930,955
1950	5,211,584	4,054,820	3,400,334	920,907
1951	5,304,270	4,941,339	3,144,991	991,676
12 Mos. 7/31/52	5,702,730	5,129,250	3,226,102	1,025,298

The above shows that the major cause of the substantial increase in general costs has been pensions and employee insurance, part of which has been occasioned by Federal insurance paid by the Authority for the first time in 1951 and amounting to $976,638 for the current 12 month period.

Summary and Appraisal of CTA Performance

This brief review of the Authority's operations since October 1, 1947 indicates substantial constructive progress. In our opinion the highlights of accomplishment may be summarized as follows:

The modernization program has been aggressively pushed and has justified itself in operating economies and improved service. The 400 additional new vehicles now in prospect will produce similar beneficial effects.

As a result of these achieved economies, the overall unit operating and maintenance expenses per vehicle mile have increased less rapidly than wage rates, pension costs and the unit costs of electric power and other operating supplies.

Declining volumes of revenue passengers, accentuated by Chicago Motor Coach competition, and increased requirements for depreciation have necessitated increases in rates of fare. This problem has been faced promptly and realistically by the Authority but the passenger cost for a CTA transit ride is not out of line with the cost in other major cities.

The Authority over the period of its operations has more than met all of its obligations under the 1947 Trust Agreement and is currently in a sound financial condition.

The tremendous job of merging two major transit systems, formerly competitors, and their organizations aggregating some 22,000 employees into one smoothly functioning unified operation has taken time. We believe that this will be largely accomplished upon the final completion of the Authority's new offices in the Merchandise Mart where, for the first time, all office departments will be not only under one roof but on one floor.

One major problem has not been solved. The increasing number and use of private automobiles is having the combined and related effects of decreasing the number of revenue passengers, making street surface transit less attractive because of delays due to traffic congestion and materially increasing the costs of operating that service. All transit systems face this same problem. Its solution depends primarily on coordinated planning for properly located and regulated parking facilities rather than simply more parking facilities. While such overall planning has to be initiated by the City, the development of maximum capacity use of the existing Rapid Transit facilities would be part of such a program and at the same time of financial benefit to the Authority.

II—ACQUISITION OF CHICAGO MOTOR COACH COMPANY OPERATIONS

Description of Operations

Chicago Motor Coach Company is the only major bus transit system competitive with the CTA in the Chicago area. The Company now owns a fleet of 595 buses and its 28 regular routes cover 172.6 street miles of operation practically all of which is over the boulevards and park drives of the Chicago Park District. Of these routes 17 radiate from the downtown Loop area of Chicago, 6 to the north along the shore of Lake Michigan, 7 to the south along the lake shore and southwest and 4 run directly west. There are also 6 routes which operate entirely within or immediately adjacent to the downtown Loop area and 5 outlying shuttle or crosstown routes. Practically all of these routes closely parallel service operated by CTA.

Based on 1951 operations 87.6% of the total Motor Coach System bus miles were operated on routes directly serving the Loop area. This System characteristic is radically different from CTA operations with only 34.9% of total Surface Division vehicle miles directly serving the Loop area and only 52.9% of total CTA System vehicle miles serving that area if all of the Rapid Transit car miles be considered in that category. Comparative figures for the year 1951 are as follows:

	Chicago Motor Coach		Chicago Transit Authority Surface Division	
	Bus Miles	% of Total	Vehicle Miles	% of Total
Routes radiating from Loop area	13,809,941	83.9	38,967,352	34.6
Routes operating within Loop area	607,930	3.7	315,980	0.3
Subtotal	14,417,871	87.6	39,283,332	34.9
Outlying routes (incl. Special Services)	2,051,920	12.4	73,492,866	65.1
System Totals	16,469,791	100.0	112,776,198	100.0

The above shows that of the transit service operated at street surface and directly serving the downtown Loop area approximately 27% is operated by the Motor Coach, although that company accounts for less than 13% of total surface vehicle miles of the combined systems.

1951 Bus Miles Directly Serving Loop Area

	Number	%	%
Chicago Motor Coach	14,417,871	26.8	14.9
CTA Surface Division	39,283,332	73.2	40.4
Total Surface Operations	53,701,203	100.0	55.3
CTA Rapid Transit	43,477,631	—	44.7
Total	97,178,834	—	100.0

The Motor Coach offers more convenient facilities than CTA for short riding in the downtown area and provides the only transit service on Michigan Boulevard and between that street and the Loop area to the west.

These characteristics of the Motor Coach System have resulted in a higher density of riding than can be realized on a system such as the CTA which has the obligation to provide service to all of the far distant sections of the City, as shown by the revenue passengers per bus mile below.

	Originating Revenue Passengers per Vehicle Mile	
	July 1952	7 Months Ended July 31, 1952
CHICAGO MOTOR COACH	4.76	4.94
CHICAGO TRANSIT AUTHORITY		
Motor Bus Routes	3.72	3.90
Trolley Bus Routes	5.33	5.40
1-Man Street Cars	5.08	5.40
Total 1-Man Operations	4.18	4.34
2-Man Street Cars	6.00	6.20
Total CTA Surface Sytem	4.62	4.89
CTA Rapid Transit	3.09	3.46
Total CTA System	4.19	4.48

The most indicative comparison is between the Motor Coach performance of 4.94 revenue passengers per bus mile and the CTA one-man vehicle operations of 4.34, a difference of 14%, as costs of operation are reasonably comparable. CTA two-man street cars are much larger vehicles with higher operating costs, and the Rapid Transit low density reflects the much longer average length of ride for which the service is designed.

Property to be Purchased

The physical properties of the Motor Coach to be purchased consist essentially of motor buses, garage land and structures, shop and service equipment, materials and supplies and fare boxes.

The table below shows the principal items of property being acquired, and the gross book value, accrued depreciation and net book value from the books of Chicago Motor Coach Company as of July 31, 1952.

	Gross Book Value	Accrued Deprecia-tion	Net Book Value
Land (6 locations)	$ 402,578	$ —	$ 402,578
Buildings (5 garages)	1,862,412	909,465	952,947
Motor Coaches (595 units)	10,083,319	4,630,907	5,452,412
Service Cars and Equipment (45 units)	228,277	96,291	131,986
Furniture and Fixtures	109,977	76,796	33,181
Shop Tools and Machinery	296,434	181,550	114,884
Fare boxes and miscellaneous	298,587	171,945	126,642
Materials and Supplies	221,198	—	221,198
Total	$13,502,782	$6,066,954	$7,435,828

De Leuw, Cather & Company, Engineers, have recently made a valuation of the physical property of the Motor Coach and in a report dated August 22, 1952 stated that the present value of this property as of June 30, 1952 undepreciated was $18,613,000 and depreciated was $13,388,000.

The five garages are described briefly as follows:

Location		Date Built	Sq. Ft. of Garage Area	Bus Storage Capacity	Sq. Ft. of Land Area
4201-25 Diversey	Shops	1923	32,600	86	147,289
	Garage	1947(a)	23,000		
4533-65 Wilcox (Adams)	Garage	1924(a)	59,053	152	67,220
520-11 Cottage Grove	Garage	1923(a)	58,157		
	Annex	1913	5,000	154	81,501
Ravenswood and Leland	Garage	1927(a)	36,795		
	Annex	1937(a)	15,180	114	51,671
1124-30 Rosemont	Garage	1917	14,000		15,287
6309-13 Broadway	Garage	1917	14,259		
	Annex	1943(a)	7,500	82	22,500
Total				588	

(a) Constructed by the Company.

These garages are well located from an operating standpoint. The structures at Diversey house the bus repair shops of the Company as well as an operating garage and, on the second floor, the Company's general offices. At the other four locations there are operating garage structures with facilities for the washing, fueling, inspection and light maintenance of buses. The main building at Diversey was formerly an industrial plant. The buildings built by the Company are specifically designed for the purposes for which they are being used.

The 595 motor buses comprising the Company's fleet have an average age of 5.7 years, and classify by size as follows:

No. of Seats	No. of Buses
27	10
32-35	47
45	329
50-51	209
Total	595

The 10-27 seat buses are Ford gasoline buses with conventional gear shift. The remaining 585 consist of 577 General Motors and 8 Mack diesel-hydraulic buses of which 473 have been purchased since January 1, 1945.

The Company has recently replaced its fare boxes with new boxes of the most modern type.

The Company's properties and equipment are modern and well adapted to its service requirements and have been well maintained.

Motor Coach Earnings Record

The revenues, the aggregate of operating expenses, maintenance and all taxes except income taxes, and the balances before provisions for depreciation and income taxes for Chicago Motor Coach have been as follows:

Period	Operating Revenues	Operating Expenses, Maintenance and all Taxes Except Income Taxes	Net Operating Income, Before Provision for Depreciation and Income Taxes
1947	$ 8,508,451	$ 6,762,191	$1,746,260
1948	9,502,547	7,765,853	1,736,694
1949	10,396,098	8,034,271	2,361,827
1950	10,085,781	8,129,507	1,956,274
1951	10,497,276	9,503,043	994,233
12 months July 31, 1952	11,714,089	10,111,866	1,602,223

The earnings summarized above are before any adjustments for other expense items which would be eliminated, reduced or increased if these properties had been operated by the Authority during the above periods. The details of such adjustments for the 12 months ended July 31, 1952 are shown in detail in the following section.

Basic rates of fare during the above periods were 10¢ to September 18, 1948, 13¢ from then to November 8, 1951 and 15¢ thereafter.

For the year 1951 and the 7 months ended July 31, 1952 the direct motor bus operating expenses of CTA compare with similar costs of the Motor Coach as follows:

	Motor Bus Operating Costs—¢ per Bus Mile			
	Year 1951		7 Months Ended July 31, 1952	
	CMC Total	CTA Motor Bus	CMC Total	CTA Motor Bus
MAINTENANCE:				
Maintenance Supervision	.61¢	.58¢	.59¢	.61¢
Motor Bus Maintenance	7.87	8.05	7.68	8.40
Tires and Tubes	1.18	1.05	1.20	1.09
Maintenance of Buildings	.14	.52	.11	.52
Total Maintenance	9.80¢	10.20¢	9.58¢	10.62¢
OPERATION:				
Motor Fuel	3.84¢ (a)	4.64¢	3.98¢ (a)	4.84¢
Transportation Supervision	2.42	1.56	2.57	1.85
Bus Operators	22.27	22.18	23.72	23.80
Other Transportation and Garage	3.50	5.03	3.57	4.57
Total Operation	32.03¢	33.41¢	33.84¢	35.06¢
TOTAL DIRECT COSTS	41.83¢	43.61¢	43.42¢	45.68¢

(a) Excluding Federal Motor Fuel tax, not paid by CTA.

While Motor Coach unit costs in total are somewhat less, there are certain items where CTA is less. Some of these variations are due to differences in operating conditions or type of bus.

Effect on Motor Coach Earnings of Acquisition by CTA

Upon acquisition of the Motor Coach properties by CTA various changes in costs will occur which will result in a substantial increase in net revenues of the Motor Coach system to be available for depreciation and debt service. Immediately upon takeover, these operations will be automatically relieved of paying certain taxes which, during the 12 months ended July 31, 1952, amounted to $666,109, including $330,401 in income taxes. Since CTA provides for injuries and damage expenses by setting aside 5% of revenues, the application of this provision will result in a reduction in Motor Coach expenses of $470,380 for this 12 months period.

While CTA will take over the operating personnel of the Motor Coach, it will not take over the officers or certain department heads and their secretaries. The resultant savings in salaries and expenses of Directors and other administrative personnel not taken over and in costs for services of special legal and other consultants aggregated, for the 12 months period ended July 31, 1952, approximately $446,984. In addition, a total of $113,855 of expenses in connection with rate proceedings before the Illinois Commerce Commission, with transfer revenue negotiations, and amortization of 1950 pension arbitration which the Motor Coach incurred will not be applicable to CTA.

The actual income account of Chicago Motor Coach Company for the 12 months period ended July 31, 1952 together with adjustments made by CTA and reviewed and approved by us to reflect as accurately as reasonably possible the net operating income that would be available under CTA operation for debt service and depreciation is shown below.

Comparison of Actual with Adjusted Earnings of Motor Coach Available for Depreciation and Debt Service—Before Income Tax—for the Twelve Months Ended July 31, 1952

	Actual	Adjustments	Adjusted to CTA Operations
REVENUES	$11,714,089	$ —	$11,714,089
EXPENSES AND TAXES:			
Operation and Maintenance	$ 7,194,194	$ —	$ 7,194,194
Injuries and Damages	1,056,084	470,380	585,704
Administrative and General	911,684	560,839	350,845
Taxes—Other than Income	949,904	335,708	614,196
Total Expenses and Taxes	$10,111,866	$1,366,927	$ 8,744,939
Balance	$ 1,602,223	$1,366,927	$ 2,969,150
Other Income	64,346	64,346	—
Available for Depreciation and Debt Service, before Income Tax	$ 1,666,569	$1,302,581	$ 2,969,150

The foregoing indicates that if the CTA had operated the Motor Coach properties during the 12 months period ended July 31, 1952, there would have been a savings of $1,366,927 in expenses and taxes exclusive of income taxes, and the net revenues available for depreciation and debt service would have been $2,969,150. It will be noted that no adjustments were made to the revenue account which is based upon the fares of the Motor Coach system actually in effect during the period. Our computations indicate that, if the same fares which were in effect on the CTA system during this entire period had been in effect on the Motor Coach system, total revenues of the Motor Coach would have been greater by approximately $1,244,000, or an increase in balance for debt service and depreciation of $1,182,000 after adjustment for the resulting increase in provision for injuries and damages.

Pro Forma Summary of Earnings Available for Depreciation and Debt Service—CTA and Motor Coach

There is shown below in condensed summary form the revenues and expenses of CTA and Motor Coach, adjusted for CTA operation, for the 12 months ended July 31, 1952.

	CTA	Motor Coach	Combined
Revenues	$114,054,619	$ 11,714,089	$125,768,708
Operation and Maintenance Expenses	99,285,777	8,744,939	108,030,716
Balance for Debt Service before Depreciation	$ 14,768,842	$ 2,969,150	$ 17,737,992

The maximum debt service requirements which will be required for payment of the principal of and the interest on the $105,000,000 Series of 1947 Bonds and $23,000,000 Series of 1952 Bonds (assuming an interest rate of 4½% on the latter bonds) will be $7,999,330. The above pro forma balance of $17,737,992 for Debt Service before Depreciation for the 12 months ended July 31, 1952 amounts to 2.22 times this maximum debt service.

Conclusions as to the Purchase of Motor Coach

The purchase by the Authority of the Chicago Motor Coach properties and operations will eliminate the only major local transit competition which the CTA now has. The existence of this active competition has accelerated the rate of decline in CTA revenue passengers. Its elimination will give the Authority a rounded out transit system. This in itself will give Chicago better local transit as the universal transfer privilege now existing on CTA routes will include the Motor Coach routes in place of the limited number of points at which intersystem transfers can now be made.

The present Motor Coach System is one of selected routes which in the aggregate have a greater passenger per mile density than the City-wide System of the CTA. The freedom of passenger movement which will result from a unified system will, as the time goes on, offer opportunities for more efficient routing, improved service and reduced operating costs.

The Authority will not only acquire a system with modern facilities but will also take over a staff of trained operating personnel.

One of the provisions of the purchase contract is that the pending litigation as to a monetary settlement on intercompany transfers will be dropped. The Motor Coach claims in this controversy aggregate over $3,000,000.

The net earnings which will accrue to the Authority are in excess of those required to service the additional bonds now being issued and will, therefore, increase the coverage on the 1947 Series Revenue Bonds.

It is our opinion, therefore, that the proposed acquisition at a price of $16,500,000 (plus certain adjustments) is in the best interests of the citizens of the Chicago area, and the CTA security holders.

W. C. GILMAN & COMPANY

EXHIBIT B

DE LEUW, CATHER & COMPANY
ENGINEERS
150 NORTH WACKER DRIVE
CHICAGO 6, ILLINOIS

August 22, 1952

MR. RALPH BUDD, *Chairman*
Chicago Transit Authority
Chicago, Illinois

Dear Mr. Budd:

You have requested us to make an examination of the properties and operations of the Chicago Motor Coach Company and to bring to date previous appraisals of these properties. An evaluation of the various factors to be considered in connection with the acquisition of this property by the Chicago Transit Authority was also desired. We have completed these examinations and appraisals and are pleased to submit herewith our report thereon.

As you know, we have been familiar with the properties and operations of the Chicago Motor Coach Company for many years, starting with numerous transit plans made for the City of Chicago during the 1920's. Detailed studies of these properties were carried on during the years 1936 and 1937 by the undersigned in cooperation with the late Mr. Philip Harrington, former Chairman of the Authority, and Major R. F. Kelker, Jr., then engineer for the Committee on Local Transportation of the Chicago City Council. These studies culminated in the publication of a report on A COMPREHENSIVE LOCAL TRANSPORTATION PLAN FOR THE CITY OF CHICAGO on November 22, 1937. Further appraisals of the overall transportation problem in Chicago were made by this firm in 1938 and 1939, and these findings were embodied in a report on A COMPREHENSIVE PLAN FOR THE EXTENSION OF THE SUBWAY SYSTEM OF THE CITY OF CHICAGO submitted on October 30, 1939.

More recently we have made appraisals of properties of the Chicago Motor Coach Company, the first of which was submitted to the company on December 29, 1950 after a detailed inspection of all of the physical properties then owned and used in the public service. A second survey and appraisal of the value for rate-making purposes of all of the properties of the Chicago Motor Coach Company as of June 30, 1951 was submitted to the company on September 12, 1951.

Because of our detailed knowledge of the company's properties it has been possible for us to revise our previous appraisals quickly, based on changes in inventory and equipment which have occurred in the past two years, as well as changes in the cost of labor, materials and equipment which have occurred during this period. We have had the cooperation of the staff of the Chicago Motor Coach Company which have furnished us with inventories of all items of property as of June 30, 1952, and have cooperated in the field inspection of buildings and equipment made by members of our engineering staff. We are advised that inventories furnished by the company have been checked by engineers of the Chicago Transit Authority.

Our appraisal of the value of all properties of the Chicago Motor Coach Company, not including organization expense and going value, as of June 30, 1951 determined an undepreciated value of \$18,551,000 and a depreciated value of \$13,653,000. From a re-examination of the property, our present appraisal as of June 30, 1952, giving consideration to changes in age of various units, capital additions and retirements, increases or decreases in costs of labor, material and equipment, is shown in the following tabulation.

PRESENT VALUE OF PHYSICAL PROPERTY
of
CHICAGO MOTOR COACH COMPANY
As of June 30, 1952

	Present Value Undepreciated	Average Per Cent Condition	Value as of June 30, 1952
Buildings	$ 4,101,000	76	$ 3,117,000
Motor Coaches	12,555,700	71	8,970,000
Service Cars and Equipment	300,000	69	206,000
Furniture and Fixtures	172,000	42	72,000
Shop Tools and Machinery	513,000	41	211,000
Other and Miscellaneous Equipment	340,300	53	181,000
Materials and Supplies	228,000	—	228,000
Land	403,000	—	403,000
	$18,613,000		$13,388,000

The methods used in estimating the cost of reproduction; accrued depreciation and the present value of buildings; bus equipment; service cars and equipment; furniture and fixtures; shop tools and machinery; other and miscellaneous equipment, materials and supplies; and land are the same as used in our June 30, 1951 appraisal and described in the report submitted to the company, a copy of which is attached hereto for your reference and file.

In an appraisal for purchase and sale, there is an additional consideration in determining the value of the property over and above physical values which, in a way, may be considered to be the compensation for an efficient, successful and progressive management. The development of the efficient, transportation system operated by the Chicago Motor Coach Company has resulted from a highly skilled organization; adequate and competent supervisory personnel; careful and skilled scheduling; and high morale of the entire organization. This, in turn, has resulted in the furnishing of a high quality of transportation service.

From a sound business standpoint the earning power of a public utility is of prime importance. It may be a truer measure of value than the appraisal of the physical plant. Therefore, the earning capacity of the property is entitled to reasonable regard in determining the value for purchase and sale.

The skilful management and the service rendered to the public are reflected in the excellent earnings of the company during recent years. The following tabulation shows gross operating revenues, operating costs and operating income before federal income tax for the period January 1, 1939 to June 30, 1952:

COMPARATIVE STATEMENT OF INCOME OF THE CHICAGO MOTOR COACH COMPANY FROM JANUARY 1, 1939 to JUNE 30, 1952

	Gross Operating Revenue	Operating Costs	Operating Income Before Federal Income Tax
1939	$ 5,388,818	$ 4,389,543	$ 999,275
1940	5,541,965	4,425,738	1,116,227
1941	5,863,266	4,964,909	898,357
1942	6,645,457	5,667,252	978,205
1943	6,613,793	5,579,466	1,034,327
1944	7,020,333	6,058,363	961,970
1945	7,445,648	6,514,555	931,093
1946	7,326,666	6,035,764	1,290,902
1947	8,621,738	7,561,359	1,060,379
1948	9,502,547	8,536,548	965,999
1949	10,396,098	8,871,543	1,524,555
1950	10,085,781	8,874,985	1,210,796
1951	10,497,276	10,307,029	190,247
6 months ending June 30, 1952	6,029,164	5,511,240	517,924

The average annual operating income before federal income taxes (federal taxes will be eliminated under public ownership) was $900,000. These earnings alone—eliminating any consideration of other substantial items of operating expense which will be nonrecurring under public ownership—would support an investment of $18,000,000 on the basis of a 5% return.

The purchase and operation of the Chicago Motor Coach Company properties by the Chicago Transit Authority will constitute a further and important step in the unification of all public transportation in the Chicago metropolitan area. It is in line with the intent of the Metropolitan Transit Authority Act, the creating legislation of the Chicago Transit Authority. Further, it is in full accord with the policies set forth in the report on A COMPREHENSIVE LOCAL TRANSPORTATION PLAN FOR THE CITY OF CHICAGO, 1937. The policies set forth in this report have been adopted for many years in Chicago and were summarized in the report as follows:

> "Every important report and recommendation in recent years has recognized and stressed the desirability and even the necessity of unified operation of all local transit facilities in Chicago. The unification of urban transportation facilities is a natural evolution." . . . .
>
> "In Chicago years ago the city adopted a policy looking to the complete unification of all local transportation facilities. The unification of the street railway lines in Chicago in respect to operation, was completed in 1914. Immediately thereafter steps were taken to bring about the unification of surface and elevated lines." . . . .
>
> "Unification and coordination of transit service in Chicago is inevitable. Steps should be taken to secure the resultant advantages at the earliest possible moment. Such an accomplishment will assure to the public uniform fares; universal transfers throughout the city; substantial savings in time for long haul riders; and the further improvements which will be incident to economical operation and resultant stability of earnings."

As presently constituted, the routes operated by the Chicago Motor Coach Company, with one or two minor exceptions, are comparable to the heavy trunk lines operated by the Chicago Transit Authority. These heavy lines constitute the more profitable operations of the two systems and their earnings will provide the necessary support for the weaker cross-town lines of the Chicago Transit Authority which serve the sparsely settled sections of the metropolitan area. The consolidation of the two operations will permit a more equitable distribution of the expenses of public transit operation in the Chicago District than now exists, through the transfer of a portion of the cost of supporting the lines now operated at a loss, to the trunk lines now operated by the Chicago Motor Coach Company.

We have examined the pro forma estimates of revenue made by the Chicago Transit Authority engineers, a copy of which is attached hereto.* We are in accord with the methods used and the results shown, which indicate substantial improvement in earnings to the Authority through the purchase of Chicago Motor Coach Company properties. These take into account reduction of taxes, elimination of certain substantial corporate charges and expenses, and elimination of regulatory commission expenses. A further gain—not susceptible to accurate estimate—will result from the consolidation of the two organizations.

In conclusion, it is our opinion that the purchase of the Chicago Motor Coach Company properties is in accord with sound fundamental principles of modern urban passenger transportation which have been adopted in Chicago for a generation or more; that these properties are of much greater value to the Chicago Transit Authority than to present owners; that through the elimination of expenses which will be nonrecurring under public ownership and through other economies which result from consolidation of competing facilities there will be a substantial improvement in net revenues of the system operated by your Authority; and finally, that the proposed purchase of the property at a figure of $16,500,000 is sound from every viewpoint.

Respectfully submitted,

DE LEUW, CATHER & COMPANY
CHARLES E. DE LEUW

CED/MD

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*Exhibit C herein.

EXHIBIT C

CHICAGO TRANSIT AUTHORITY

Actual Statement of Application of Revenues to Fixed Requirements for the Twelve Months Ended July 31, 1952, and Pro Forma (an estimate) Statement of Application of Revenue to Fixed Requirements (See Notes)

		Pro Forma Entries			
	Chicago Transit Authority Actual 12 Months Ended July 31, 1952	Acquisition of Chicago Motor Coach Co. (Note 1)	Adjustments to Reflect Ownership and Operation by Chicago Transit Authority (Note 2)	Net	Pro Forma Statement of Application of Revenues to Fixed Requirements
REVENUES:					
Passenger	$112,223,226	$11,606,513	$ 1,680,256 (a)	$13,286,769	$125,509,995
Station and car privileges and rentals	1,104,591	94,621	—	94,621	1,199,212
Miscellaneous	726,802	77,301	(64,346) (b)	12,955	739,757
Total Revenues	$114,054,619	$11,778,435	$ 1,615,910	$13,394,345	$127,448,964
OPERATION AND MAINTENANCE EXPENSES (exclusive of provision for depreciation):					
Operation and maintenance	$ 84,306,689	$ 7,194,194	$ 267,750 (c)	$ 7,461,944	$ 91,768,633
General and administrative—					
Injuries and damages	5,702,731	1,056,084	(386,367) (d)	669,717	6,372,448
Pensions	3,568,584	67,870	223,395 (e)	291,265	3,859,849
Administrative	3,810,127	843,814	547,441 (f)	296,373	4,106,500
Taxes—					
Local	158,900	458,689	(121,143) (g)	337,546	496,446
State	762,107	314,548	66,286 (h)	248,262	1,010,369
Federal—Income	—	330,401	(330,401) (i)	—	—
Other	976,639	176,667	(103,229) (j)	73,438	1,050,077
Total	$ 99,285,777	$10,442,267	$(1,063,722)	$ 9,378,545	$108,664,322
BALANCE AVAILABLE FOR DEBT SERVICE REQUIREMENTS	$ 14,768,842	$ 1,336,168	$ 2,679,632	$ 4,015,800	$ 18,784,642
MAXIMUM DEBT SERVICE REQUIREMENTS—Revenue Bonds, Series of 1947 and Series of 1952 for calendar year 1969	$ —	$ —	$ —	$ —	$ 7,999,330
DEPRECIATION REQUIREMENTS (8% of gross revenues)	$ 9,124,370	$ —	$ —	$ 1,071,547	$ 10,195,917

( ) Denotes red figures.

The attached notes are an integral part of this statement.

CHICAGO TRANSIT AUTHORITY

NOTES TO ACTUAL STATEMENT OF APPLICATION OF REVENUES TO FIXED REQUIREMENTS FOR THE TWELVE MONTHS ENDED JULY 31, 1952 AND PRO FORMA STATEMENT OF APPLICATION OF REVENUES TO FIXED REQUIREMENTS

(1) Reconciliation of Balance Available for Debt Service Requirements with Net Income reported for Chicago Motor Coach Company for the twelve months ended July 31, 1952:

Balance available for debt service requirements		$1,336,168
Deduct—		
Depreciation	$ 864,251	
Interest deductions	68,288	932,539
Net income reported for Chicago Motor Coach Company for twelve months ended July 31, 1952		$ 403,629

(2) Adjustments to reflect ownership and operation of Chicago Motor Coach properties at the present rates of fares, wages, etc. of Chicago Transit Authority:

(a) Increase in passenger revenues based on passengers carried by Chicago Motor Coach Company during 12 months ended July 31, 1952, extended at existing fares of the Authority and anticipating a decline in number of passengers carried because of increased fares; rates of decline for various passenger categories included in estimate are similar to rates experienced by the Authority as a result of past fare increases		$1,680,256
(b) Interest earned on investments and other income not applicable to ownership and operation by the Authority included in miscellaneous revenues		64,346

(c) To adjust labor costs to reflect present base wage rate of $1.84 paid by the Authority:

Period			Rate			Estimated Cost	
From	To	Length	From	To	Increase	Annual	Adjustment
8/ 1/51	10/ 7/51	2¼ Mos.	1.70	1.84	.14	$392,000	$ 73,500
10/ 7/51	2/10/52	4 Mos.	1.77	1.84	.07	196,000	65,333
2/10/52	7/ 6/52*	5 Mos.	1.80	1.84	.04	112,000	46,667
							$185,500

*Base wage rate of $1.84 became effective for Chicago Motor Coach Company on July 6, 1952.

To adjust labor costs to reflect present cost-of-living allowance now being paid (5¢ per hour) by the Authority:

Period			Rate			Estimated Cost	
From	To	Length	From	To	Increase	Annual	Adjustment
8/ 1/51	10/ 6/51	2¼ Mos.	—	.05	.05	$140,000	$ 26,250
10/ 7/51	1/ 5/52	3 Mos.	.01	.05	.04	112,000	28,000
1/ 6/52	4/ 5/52	3 Mos.	.04	.05	.01	28,000	7,000
4/ 6/52	7/ 5/52*	3 Mos.	.02	.05	.03	84,000	21,000
							$ 82,250
							$267,750

*Cost-of-living allowance of 5¢ became effective for Chicago Motor Coach Company on July 6, 1952.

(d) Provision for injuries and damages reduced to 5% of gross operating revenues (required by the Authority's ordinance)—		
Cost of injuries and damages	$1,056,084	
Provision at 5% of gross revenues ($13,394,345)	669,717	$ 386,367
(e) Pension costs increased to 5% of payrolls paid by the Authority (for purposes of this statement it is assumed the pension agreement will be renegotiated as of the first day the Authority commences operating the property to be acquired)		223,395
(f) General and administrative expenses eliminated—		
Salaries and expenses of general officers and directors, including salaries of secretaries	$ 164,613	
Salaries of certain department heads	19,275	
General legal services and expenses except services in connection with jitney cab prosecution and rate proceedings	118,090	
Services and expenses of consultants on public relations, labor relations, local taxes and tires	133,178	
Expense of Chicago Motor Coach Company rate case before the Illinois Commerce Commission	43,288	
Expense in connection with negotiation for division of joint transfer revenue	11,582	
Amortization of deferred expense of 1950 pension arbitration	57,415	547,441

(g) Local taxes adjusted to basis paid by the Authority—		
Chicago Park District franchise compensation adjusted to Authority's mileage rate—		
Payments per books	$ 335,351	
Mileage operated by coaches over park routes computed at 2.5 cents per mile	300,000	
	$ 35,351	
Eliminate real estate and personal property taxes	85,792	121,143
(h) State taxes adjusted to basis paid by the Authority—		
Vehicle license fees paid per books	$ 100,017	
Authority rate of $2.00 per vehicle applied to 600 vehicles operated by Chicago Motor Coach Company	1,200	
	$ 98,817	
Eliminate unemployment taxes	12,519	
	$ 111,336	
Motor fuel tax rate increased 1 cent to 5 cents rate to become effective January 1, 1953	45,050	66,286
(i) Eliminate Federal income taxes		330,401
(j) Eliminate Federal excise taxes—		
Motor fuel tax and other excise taxes		103,229

EXHIBIT D

CHICAGO TRANSIT AUTHORITY

ACTUAL BALANCE SHEET AS OF JULY 31, 1952
and
PRO FORMA BALANCE SHEET (SEE NOTES)

		Pro Forma Entries		
	Chicago Transit Authority Balance Sheet July 31, 1952	Issuance and Sale of Revenue Bonds (Note 1)	Acquisition of Chicago Motor Coach Company (Note 2)	Pro Forma Balance Sheet
ASSETS				
TRANSPORTATION PROPERTY, at cost	$128,465,522	$ —	$ 16,272,012	$144,737,534
RESERVE FOR DEPRECIATION	20,488,229	—	—	20,488,229
	$107,977,293	$ —	$ 16,272,012	$124,249,305
SPECIAL FUNDS—cash and U. S. Government securities:				
Under control of Revenue Bond Trustee—				
Transit Revenue	$ —	$ —	$ —	$ —
Series of 1947 Serial Bond Maturity	83,333	—	—	83,333
Series of 1947 Revenue Bond Reserve	6,381,686	—	—	6,381,686
Depreciation Reserve ($1,887,400 minimum balance required by Equipment Trust Agreements at July 31, 1952)	2,969,280	—	—	2,969,280
Operating Expense Reserve	716,785	—	—	716,785
Modernization	26,911	23,000,000	(16,338,676)	6,688,235
	$ 10,177,995	$ 23,000,000	$(16,338,676)	$ 16,839,319
Damage Reserve	1,279,486	—	—	1,279,486
	$ 11,457,481	$ 23,000,000	$(16,338,676)	$ 18,118,805
CURRENT ASSETS:				
Cash and U. S. Government securities—				
Working cash (including $5,000,000 provided from Revenue Bond proceeds)	$ 10,763,319	$ —	$ 70,595	$ 10,833,914
Deposit for payment of interest on Revenue Bonds	318,003	—	—	318,003
Deposits for payment of interest on Equipment Trust Certificates	99,462	—	—	99,462
Municipal Compensation Fund	—	—	—	—
	$ 11,180,784	$ —	$ 70,595	$ 11,251,379
Accounts Receivable	1,092,413	—	—	1,092,413
Materials and supplies, at average cost	7,322,392	—	227,988	7,550,380
Prepayments and other current assets	1,041,121	—	130,847	1,171,968
	$ 20,636,710	$ —	$ 429,430	$ 21,066,140
DEFERRED CHARGES	$ 238,442	$ —	$ —	$ 238,442
	$140,309,926	$ 23,000,000	$ 362,766	$163,672,692

( ) Denotes red figures

The attached notes are an integral part of this statement.

CHICAGO TRANSIT AUTHORITY

ACTUAL BALANCE SHEET AS OF JULY 31, 1952
and
PRO FORMA BALANCE SHEET (SEE NOTES)

		Pro Forma Entries		
LIABILITIES	Chicago Transit Authority Balance Sheet July 31, 1952	Issuance and Sale of Revenue Bonds (Note 1)	Acquisition of Chicago Motor Coach Company (Note 2)	Pro Forma Balance Sheet
LONG-TERM DEBT:				
Revenue Bonds—				
Series of 1947, due serially July 1, 1953 to July 1, 1978	$105,000,000	$ —	$ —	$105,000,000
Series of 1952, due July 1, 1982	—	23,000,000	—	23,000,000
Equipment Trust Certificates, after deducting cash of $1,741,058 held by Trustees for payment (Note 3)	11,702,942	—	—	11,702,942
	$116,702,942	$ 23,000,000	$ —	$139,702,942
ACCUMULATED NET EARNINGS:				
Portion allocated in accordance with Revenue Bond Trust Agreement for				
Debt service requirements—				
Serial Bond Maturity	$ 83,333	$ —	$ —	$ 83,333
Revenue Bond Reserve	6,381,686	—	—	6,381,686
Operating Expense Reserve	716,785	—	—	716,785
Modernization	120,085	—	—	120,085
Other	81,664	—	—	81,664
	$ 7,383,553	$ —	$ —	$ 7,383,553
Accumulated interest on Equipment Trust Certificates paid from Depreciation Reserve Fund	(1,153,167)	—	—	(1,153,167)
	$ 6,230,386	$ —	$ —	$ 6,230,386
CURRENT LIABILITIES:				
Accounts payable	$ 4,310,058	$ —	$ —	$ 4,310,058
Accrued wages	3,192,760	—	292,171	3,484,931
Accrued interest on Revenue Bonds	318,003	—	—	318,003
Accrued interest on Equipment Trust Certificates	99,462	—	—	99,462
Accrued municipal compensation	—	—	—	—
Unredeemed tickets and tokens	625,978	—	1,823	627,801
Taxes accrued on acquired property	—	—	68,772	68,772
	$ 8,546,261	$ —	$ 362,766	$ 8,909,027
DEFERRED LIABILITY (for repaving of abandoned right of way)	$ 1,791,970	$ —	$ —	$ 1,791,970
DAMAGE RESERVE	$ 7,038,367	$ —	$ —	$ 7,038,367
	$140,309,926	$ 23,000,000	$ 362,766	$163,672,692

( ) Denotes red figures.

The attached notes are an integral part of this statement.

CHICAGO TRANSIT AUTHORITY

NOTES TO
ACTUAL BALANCE SHEET AS OF JULY 31, 1952
and
PRO FORMA BALANCE SHEET

(1) For purposes of this statement, the pro forma entry reflecting the issuance and sale of $23,000,000 principal amount of Revenue Bonds, Series of 1952, assumes that the Authority will receive par for the bonds and does not make any allowance for expenses of issuance of such securities.

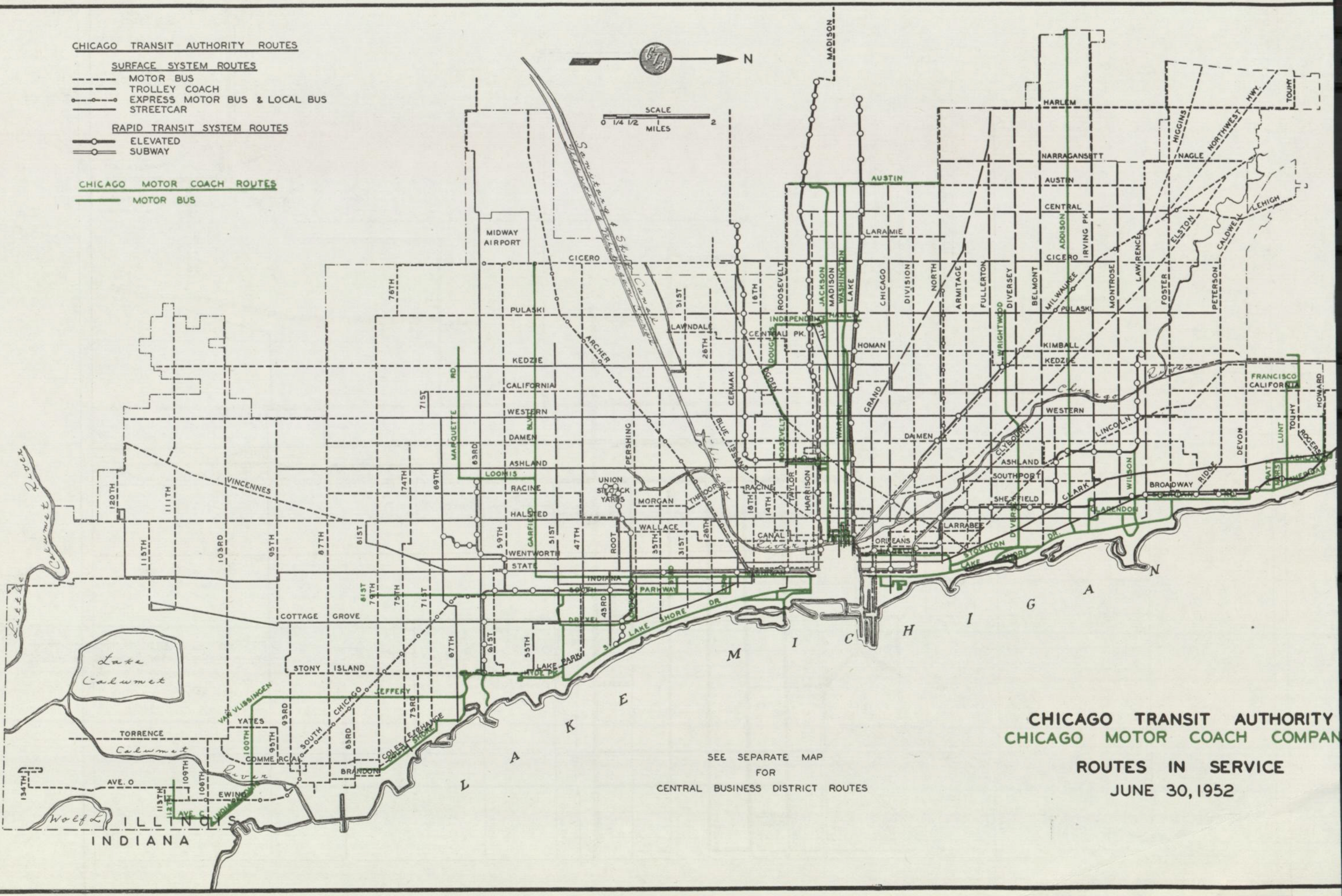
(2) Under the terms of a proposed contract, the Authority, for $16,500,000, will acquire as of June 30, 1952 certain properties, assets, rights and effects of Chicago Motor Coach Company, subject to such modifications as occur by reason of the operation of the business of Chicago Motor Coach Company between such date and the actual date when the purchase price is paid and the Authority shall take possession.

The pro forma entry for the acquisition of the properties of Chicago Motor Coach Company in the accompanying statement reflects the purchase price of $16,500,000 and the assets to be acquired and the liability to be assumed as of June 30, 1952, determined as follows:

		Assets Acquired and Liabilities Assumed Charged or Credited* to				
	Purchase Price	Transportation Property	Working Cash Account	Materials and Supplies	Prepayments and Other Current Assets	Liabilities and Reserves
PURCHASE PRICE (allocated as follows):						
Transportation property	$16,272,012	$16,272,012	$ —	$ —	$ —	$ —
Materials and supplies	227,988	—	—	272,988	—	—
	$16,500,000	$16,272,012	$ —	$ 227,988	$ —	$ —
Less—Vacation allowances earned or accrued by employees	292,171	—	—	—	—	292,171*
Purchase price (before cash adjustments shown below)	$16,207,829	$16,272,012	$ —	$ 227,988	$ —	$ 292,171*
CASH ADJUSTMENTS (representing payments for):						
Prepaid expenses	124,847	—	—	—	124,847	—
Portion of costs in connection with inventory of materials and supplies and accountants' services in connection with purchase contract	6,000	—	—	—	6,000	—
Cash expenditures from Modernization Fund	$16,338,676	$16,272,012	$ —	$ 227,988	$ 130,847	$ 292,171*
LIABILITIES ASSUMED (equivalent amount of Working Cash to be received):						
General, real and personal property taxes		—	68,772	—	—	68,772*
Ticket reserves		—	1,823	—	—	1,823*
		$16,272,012	$ 70,595	$ 227,988	$ 130,847	$ 362,766*

(3) On September 2, 1952, the Authority sold at face value $9,400,000 of 3½% Refunding Equipment Trust Certificates, maturing serially March 1, 1953, to September 1, 1954. The proceeds from this sale together with $2,225,388 from the Depreciation Reserve Fund and $1,746,612 from funds held on that date by the Equipment Trustee (for the payment of principal and interest) were deposited with the Equipment Trustee for the payment and redemption of the then outstanding Equipment Trust Certificates in the principal amount of $13,372,000 (representing the $13,444,000 principal amount outstanding at July 31, 1952, less maturities of $72,000 on August 1, 1952).

The agreement with John Nuveen & Co. dated July 2, 1952, under which the Refunding Equipment Trust Certificates were sold further provides, subject to certain conditions contained therein, for the sale of new Equipment Trust Certificates (not to exceed $15,000,000 principal amount) in such amounts that the aggregate amounts of all Certificates outstanding at any one time will not exceed $15,000,000. In addition to the Refunding Certificates sold on September 2, 1952, the Authority anticipates that it will sell an additional $5,600,000 principal amount during the remainder of 1952, and that $4,7000,000 principal amount will be sold in each of the years 1953 and 1954 after the retirement of the semi-annual maturities of the Refunding Certificates; the proceeds to be used for the purchase of revenue equipment.


CHICAGO TRANSIT AUTHORITY ROUTES
SURFACE SYSTEM ROUTES
MOTOR BUS
TROLLEY COACH
EXPRESS MOTOR BUS & LOCAL BUS
STREETCAR
RAPID TRANSIT SYSTEM ROUTES
ELEVATED
SUBWAY
CHICAGO MOTOR COACH ROUTES
MOTOR BUS
CTA
N
SCALE
0 1/4 1/2 1 2
MILES
MADISON
HARLEM
NARRAGANSETT
AUSTIN
CENTRAL
LARAMIE
CICERO
PULASKI
KIMBALL
KEDZIE
CALIFORNIA
WESTERN
DAMEN
ASHLAND
SOUTHPORT
SHEFFIELD
LARRABEE
ORLEANS
CLARK
BROADWAY
RIDGE
TOUHY
HIGGINS
NAGLE
NORTHWEST HWY.
ELSTON
CALDWELL
LEHIGH
MILWAUKEE
IRVING PK
ADDISON
MONTROSE
LAWRENCE
FOSTER
PETERSON
DEVON
HOWARD
LUNT
ROGERS
FRANCISCO
WILSON
CLARENDON
LINCOLN
CLYBOURN
GRAND
DIVERSEY
WRIGHTWOOD
BELMONT
FULLERTON
ARMITAGE
NORTH
DIVISION
CHICAGO
LAKE
WASHINGTON
MADISON
JACKSON
WARREN
HOMAN
INDEPENDENCE
5TH
CENTRAL PK.
ROOSEVELT
16TH
CERMAK
OGDEN
DOUGLAS
HARRISON
TAYLOR
14TH
18TH
RACINE
CANAL
BLUE ISLAND
THROOP
26TH
31ST
LAWNDALE
ARCHER
PERSHING
UNION STOCK YARDS
MORGAN
WALLACE
35TH
ROOT
43RD
47TH
51ST
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63RD
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81ST
83RD
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93RD
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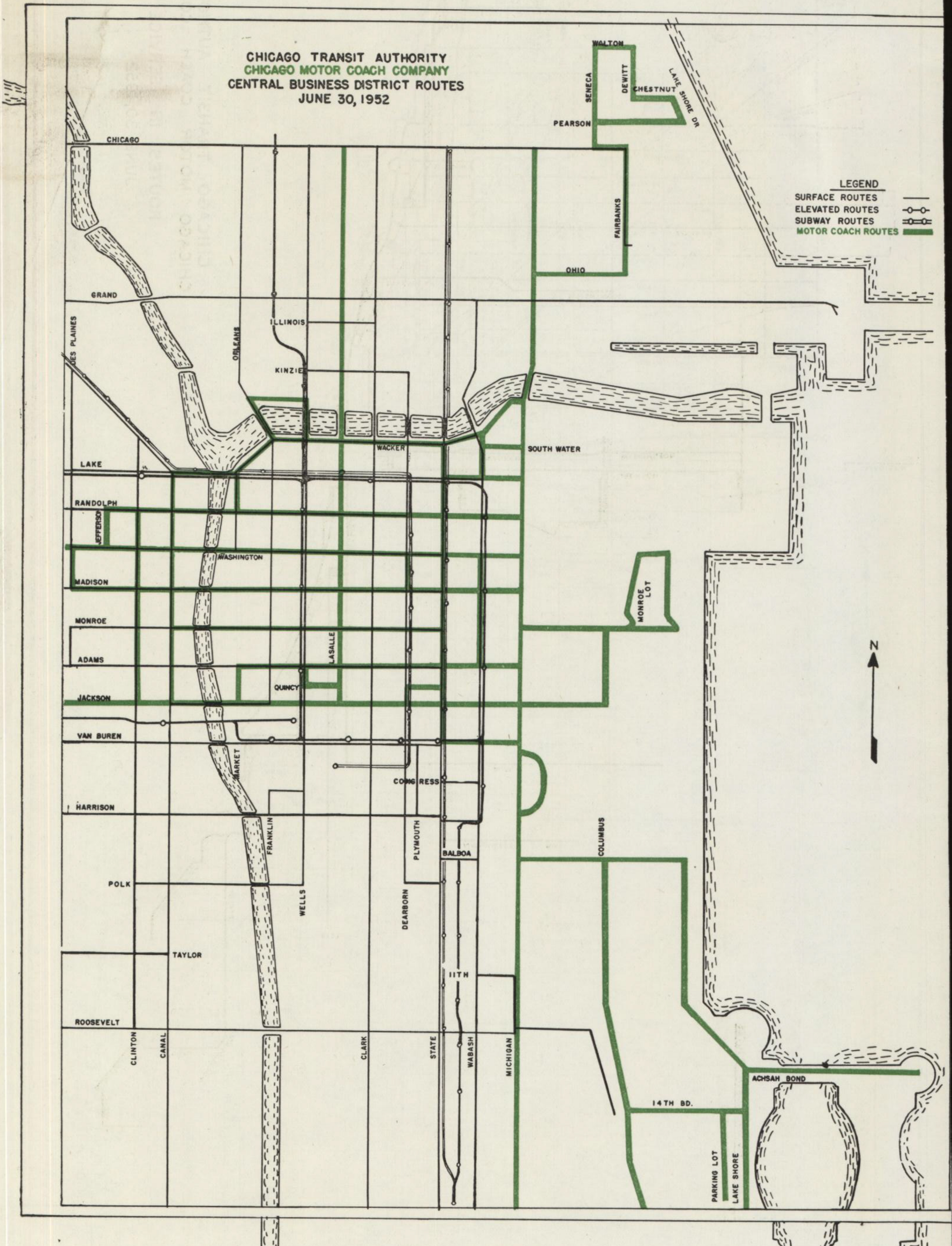
100TH
103RD
106TH
109TH
111TH
113TH
115TH
120TH
134TH
MIDWAY AIRPORT
HALSTED
WENTWORTH
STATE
INDIANA
SOUTH PARK
PARKWAY
DREXEL
LAKE PARK
HYDE PK
LAKE SHORE DR
STOCKTON DR
LOOMIS
MARQUETTE RD
GARFIELD BLVD
VINCENNES
COTTAGE GROVE
STONY ISLAND
JEFFERY
SOUTH CHICAGO
COLES
EXCHANGE
SOUTH SHORE
BRANDON
COMMERCIAL
YATES
VAN VLISSINGEN
TORRENCE
AVE. O
AVE. C
EWING
INDIANAPOLIS
Sanitary & Ship Canal
Illinois & Michigan Canal
Chicago River
Calumet River
Little Calumet River
Lake Calumet
Wolf L.
L A K E   M I C H I G A N
ILLINOIS
INDIANA

CHICAGO TRANSIT AUTHORITY
CHICAGO MOTOR COACH COMPAN

ROUTES IN SERVICE
JUNE 30, 1952

SEE SEPARATE MAP
FOR
CENTRAL BUSINESS DISTRICT ROUTES



CHICAGO TRANSIT AUTHORITY
CHICAGO MOTOR COACH COMPANY
CENTRAL BUSINESS DISTRICT ROUTES
JUNE 30, 1952

LEGEND
SURFACE ROUTES
ELEVATED ROUTES
SUBWAY ROUTES
MOTOR COACH ROUTES
N
WALTON
SENECA
DEWITT
CHESTNUT
LAKE SHORE DR
PEARSON
CHICAGO
FAIRBANKS
OHIO
GRAND
ILLINOIS
DES PLAINES
ORLEANS
KINZIE
WACKER
SOUTH WATER
LAKE
RANDOLPH
JEFFERSON
WASHINGTON
MADISON
MONROE
MONROE LOT
ADAMS
LASALLE
QUINCY
JACKSON
VAN BUREN
MARKET
CONGRESS
HARRISON
FRANKLIN
PLYMOUTH
BALBOA
COLUMBUS
POLK
WELLS
DEARBORN
TAYLOR
11TH
ROOSEVELT
CLINTON
CANAL
CLARK
STATE
WABASH
MICHIGAN
ACHSAH BOND
14TH BD.
PARKING LOT
LAKE SHORE

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